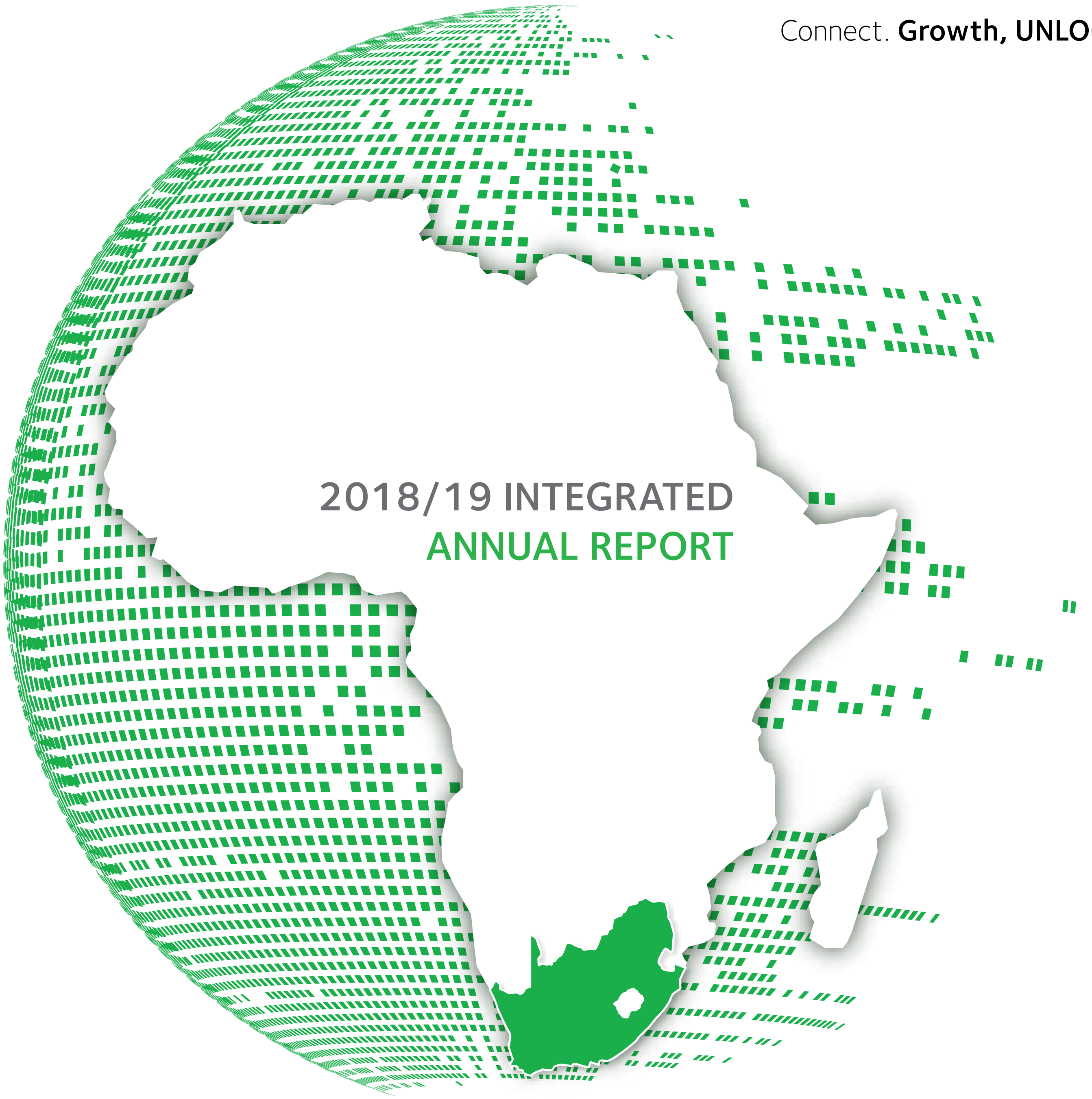
Broadband Infraco

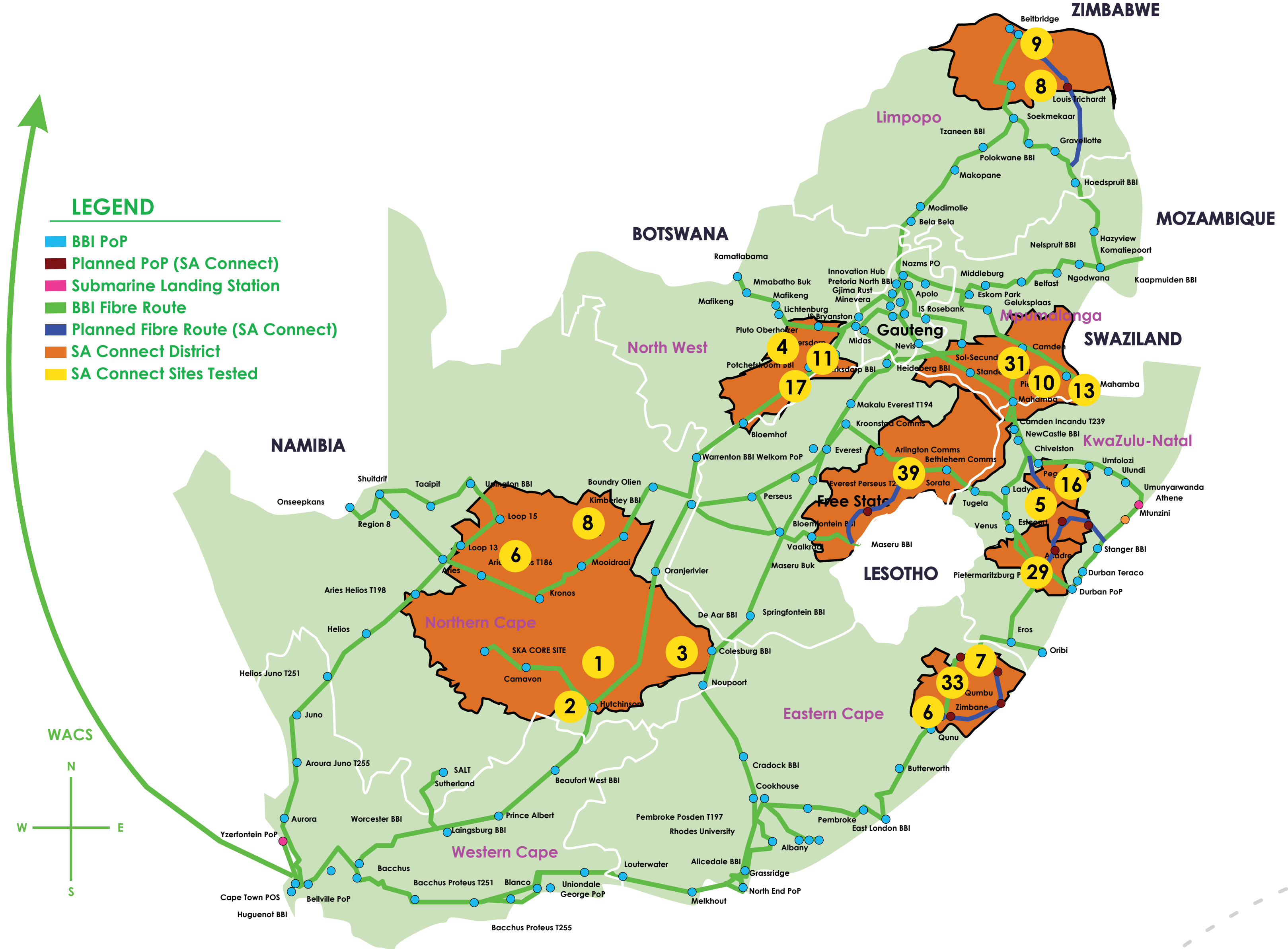
Connect. **Growth, UNLOCKED.**

2018/19 INTEGRATED ANNUAL REPORT



Connecting the Nation...
Preparing for the **Digital Economy**

SA Connect Phase 1A



NATION

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PRELUDE

Our Journey

Broadband Infraco came into being in 2007 when the entity was established as a State-Owned Enterprise (SOE) in terms of the Broadband Infraco Act No. 33 of 2007 (the Act). Our mandate is to expand the availability and affordability of access to electronic communications, including, but not limited to, underdeveloped and under-serviced areas and primarily to service the second national operator. This is in accordance with the Electronic Communications Act No. 36 of 2005, commensurate with international best practice and pricing through, the provision of electronic communications network services and electronic communications services.

The Company was registered in 1989 with the Companies and Intellectual Property Commission (CIPC), as an entity owned by the government and the Industrial Development Corporation (IDC). In October 2009, we obtained an Individual Electronic Communications Network Services (I-ECNS) license from the Independent Communications Authority of South Africa (ICASA). Broadband Infraco was commercially launched on 18 November 2010. The rights of use agreement with South Africa's Second National Operator (SNO) was terminated in the year 2011/12, which resulted in the in-sourcing of the network operations and an increase in customer acquisitions.

As per the requirements of the Companies Act 71 of 2008, Broadband Infraco is registered as a State-Owned Company (SOC) with the CIPC with effect from 2013. In the same year, it crafted the Build, Grow and Expand (BGE) strategy to turn the Company around. The Company owns and/or leases fibre from Eskom Enterprises and Transnet Freight Rail with whom it continues to build synergies and enhance relationships. Broadband Infraco's intention is to encourage joint infrastructure planning and optimisation to avoid duplication of fibre network roll-outs. The Company has initiated site builds where there was previously no infrastructure, thus filling unique unaddressed gaps. Broadband Infraco's milestones for the previous five financial years are highlighted in the diagram below: Milestones

2015

- 70% Commitment of Employees
- Overall award and A rating in compliance
- A-rating in internal audit and internal control
- OHSAS 18001 certification
- The number of customers increased to 18
- B-BBEE level 4
- 83% achievement of the Shareholder Compact

2016

- Zero irregular expenditure
- NOSA accreditation
- OHSAS 18001 certification retention
- 33 PoPs optimised
- The number of customers increased to 23
- B-BBEE level 3
- Positive EBITDA
- 87.50% achievement of the Shareholder Compact

2017

- Zero irregular expenditure
- OHSAS 18001 certification retention
- ISO 9001-2015 certification process started
- 18 PoPs optimised the number of customers increased to 30
- B-BBEE level 2
- Positive EBITDA
- 72% achievement of the Shareholder Compact

2018

- OHSAS 18001 certification retention
- ISO 9001-2015 certification 2 external audits completed successfully
- The number of customers increased to 46
- B-BBEE level 7
- Positive EBITDA
- Positive cash flow generated from operations
- 64% achievement of the Shareholder Compact

MILESTONES

2019

- 313 SA Connect sites connected and 258 sites tested successfully end-to-end
- 72% increase in sales volume
- ISO 9001-2015 certification- two external audits completed successfully
- B-BBEE level 7
- The number of customers increased to 57
- Positive EBITDA
- Positive cash flow generated from operations
- 95% achievement of the Shareholder Compact

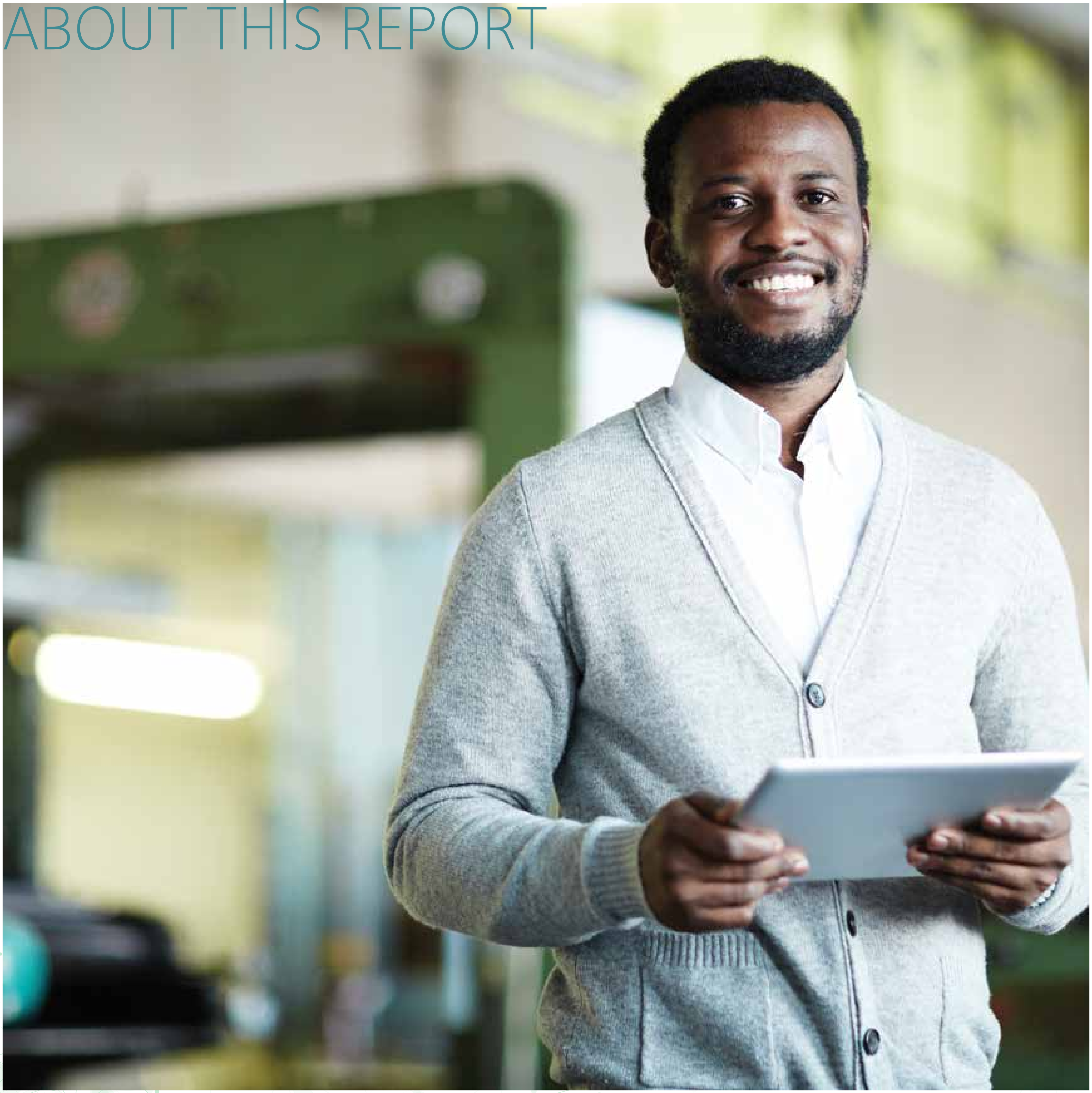
Performance at a glance

Shareholder Compact	Year-on-Year Customer Growth	Revenue	EBITDA	Cash from Operations	Network Access
95% Achieved (increased from 64%)	Growth from 46 to 57	Market price pressure	Positive	Positive	313 SA Connect sites connected to our network
Environment No environmental incidents reported	Safety and Health No fatalities reported				

Network Availability	Rebates	MTTR	B-BBEE Procurement	Debtors' Days	Training Spent
99.77% service availability	0.15% of gross revenue	5.90 hrs to repair network faults	All targets achieved	53.5 debtors' days	1.80%

DIGITISED

ABOUT THIS REPORT



ABOUT THIS REPORT

Broadband Infraco has adopted the Integrated Reporting (IR) Framework since its inception by the International Integrated Reporting Council (IIRC). Our reporting is dynamic, year on year, we incorporate the developments and application of the IR framework that has challenged our thinking to become more integrated.

Through this Report, we aim to guide our stakeholders to:

- View our performance within the economic, technological, social, regulatory and political environment;
- Gauge the capability of our Board of Directors to lead the Company's value creation;
- Comprehend how our governance structures enable our strategic objectives and operational performance;
- Understand our challenges and risks that affect our decisions and performance;
- Understand certain shifts made in the use of our resources; and
- Assess our ability to mitigate the unintended adverse impacts on the environment and stakeholders.

Our stakeholder engagement model and processes are outlined on page 25.

Frameworks and Guidelines

The content of this Report is guided by the following frameworks and legal requirements:

- National Treasury Regulations and Frameworks;
- Public Finance Management Act, as amended;
- Companies Act, 2008 as amended;
- The King Code on Corporate Governance for South Africa (King IV); and
- The International Integrated Reporting Framework.

Outcomes- Based Approach Reporting

We have revised the Performance Information Monitoring and Evaluation policy and developed the procedure manual that will be approved in the first quarter of the new financial year. This policy takes an outcome-based approach to planning and reporting, based on the guidelines and frameworks issued by the National Treasury and the Department of Performance Monitoring and Evaluation (DPME).

Reporting Limitations

This Integrated Report reviews our performance for the financial year, from 1 April 2018 to 31 March 2019, with one year's financial comparative information. It follows from our 2018 Integrated Report and includes material events up to the date of approval.

This Integrated Report should be read in conjunction with the annual financial statements for an all-inclusive, comprehensive view of our financial performance. The limitations of this report encompass factors that impact our ability to create value. We believe that the information presented herein is comparable to prior years, with no significant restatements, unless otherwise indicated.

Integrated Assurance Approach

The Board of Directors and Management recognise the importance of a strong control environment in managing risks, improving performance, enhancing governance, instilling stakeholder confidence and strengthening the Company's reputation. We have applied, where appropriate, our Integrated Assurance Plan to the Integrated Reporting Process to enhance the value creation narrative and to provide an independent perspective on the transparency and accountability of our disclosures.

Our Integrated Assurance Plan encompasses the assurance provided by Management, Sub-Executive Committees (sub-EXCO) specialists, internal and external audit, external assurance providers, with the Board of Directors serving as the last line of defence. The plan further enables the Board of Directors and its Committees, including the Audit and Risk Committee (ARC), to remain appraised of Management's efforts to mitigate risks to an acceptable level and to improve the control environment.

Collectively, assurance-related activities performed by the various role players constitute the Integrated Assurance Plan as depicted in the table below:

Table 1 Integrated Assurance Plan

Broadband Infraco's Integrated Assurance Plan – role players and assurance-related activities				
Activities		Assurance providers	Outcome	Framework/Standard
	Annual Financial Statements and Performance Information	• SNG Grant Thornton (SNG)	• Unqualified audit report	• International Financial Reporting Standards (IFRS) • Public Finance Management Act 1 of 1999 (PFMA) • Companies Act 71 of 2008 • International Integrated Reporting framework (IIRF)
	Review of internal controls and risk management	• Internal Audit • Legal firms	• Financial controls: Satisfactory • Operational controls: Requires improvement	• Committee of Sponsoring Organisations (COSO) • PFMA • Institute of Internal Auditors • Legislative requirements • Enterprise Risk Management
	Quality Standards auditing	• South African Bureau of Standards (SABS) • International Standards organisations (ISO) • TUV Rheinland	• Standardisation of processes and systems	• Quality Standards • ISO standards relating to safety and environment, including ISO 9001:2015
	B-BBEE Contributor Level	• Broadband Infraco Internal Audit • Empowerlogic (Pty) Ltd	• Auditing in progress	• Broad-Based Black Economic Empowerment (B-BBEE) Act and Charters
	Corporate Governance	• Internal Audit • Compliance and • Risk Management	• Assessment of controls • Financial controls: Satisfactory • Operational controls: Requires improvement	• King IV • PFMA • Companies Act

Feedback

We endeavour to continuously improve our integrated reporting process, to ensure that we meet best practice reporting standards and the expectations of our stakeholders, as well as increase visibility of our efforts in creating sustainable value for all our stakeholders. We, therefore, welcome any views on the content and design of the report.

Comments and questions can be directed to info@infraco.co.za.

Future-Outlook Statements

Certain statements in this report regarding Broadband Infraco's operations may be based on the future outlook. These include all statements other than statements of historical fact, including those regarding the financial position, corporate strategy, management plans and objectives for future operations.

Future-outlook statements constitute our present expectations that hinge on reasonable assumptions based on market analysis and calculated risk. These statements inform the readers that our assumptions have been validated. Actual results may differ materially from the projected future-outlook statements due to a vast number of events, risks, uncertainties, and other factors. Broadband Infraco neither intends to nor assumes any obligation to update or revise any future-outlook statements, whether because of new information or future events.

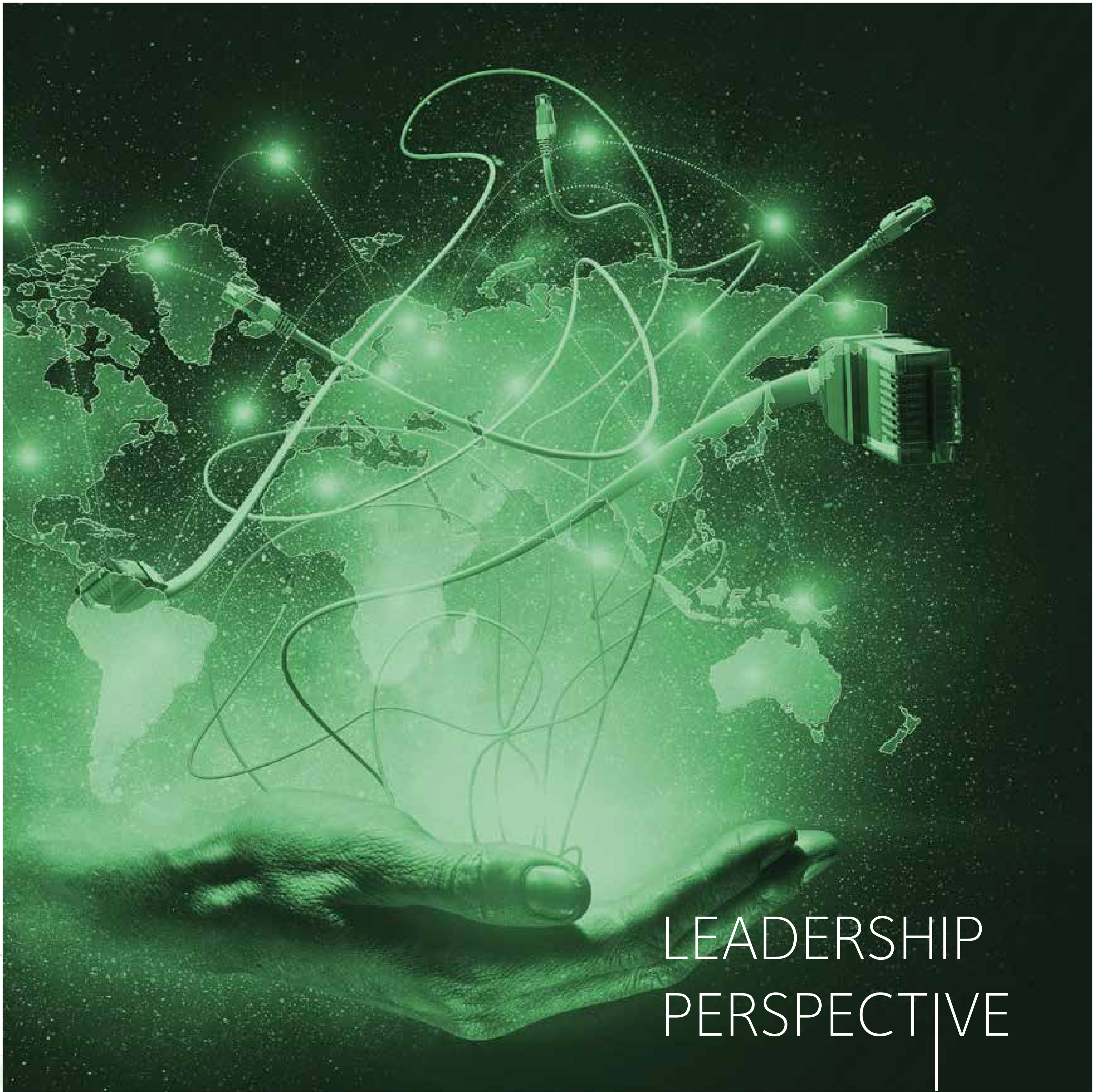
Statement of Responsibility

The Board of Directors, assisted by the Audit and Risk Committee (ARC), acknowledges its responsibility to ensure the integrity and completeness of the 2019 Integrated Report. The Board affirms that it has applied its collective mind in the preparation and presentation of the integrated report and has concluded that it is presented in accordance with the International Integrated Report Framework.

The Board, considering the completeness of the material matters dealt with and the reality of information presented based on the combined assurance process followed, approved the 2019 Integrated Report, Annual Financial Statements and supplementary information on 29 July 2019.

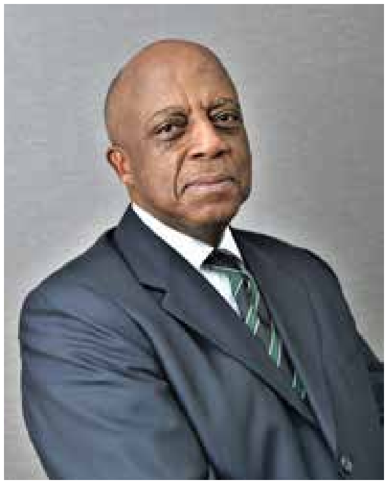
Ms Nokuthula Selamolela
Chairperson: ARC

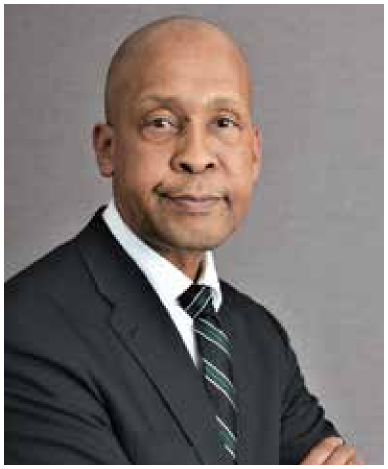
Mr Mandla Ngcobo
Chairperson: Board



LEADERSHIP PERSPECTIVE

LEADERSHIP PERSPECTIVE





The Chairman, Chief Executive Officer (CEO) and Chief Financial Officer (CFO), on behalf of the Board of Directors, present Broadband Infraco's Integrated Annual Report for the year ended 31 March 2019. This report covers the total performance of the Company, its financial and other resources over a period of five years, thus depicting our journey in implementing our turnaround strategy, BGE 2.0.

The 2018/19 financial year proved to be a year of renewal under new leadership on all fronts. The Company managed to fill critical, vacant executive leadership positions, coupled with new board members and the appointment of a new Minister, and Deputy Minister all of whom provided the anticipated support for the Company to achieve its mandate. The Company is slowly ridding itself of the negative perception that existed about it in the industry, leading to a positive future-outlook.

The elements that can be attributed to the renewed positive future-outlook for the Company's sustainability, are as follows:

- The delivery of Phase 1 of SA Connect, which has generated confidence in the execution capability of the Company;
- The introduction of a Sales Incentive scheme for driving the motivation of sales employees, as well as the retention of key industry skills;
- The stability in staff turn-over and the ability to attract the suitable calibre of incumbents for Executive and Senior Management positions;
- The number of re-appointments of ex-employees who had regained confidence in the
- Company's improving performance; and
- Invitations to our employees to participate in the Shareholder-organised overseas skills upgrade programs.

Sales volumes for the year under review increased by 72%, excluding SA Connect, and this has contributed immensely to this renewal of hope in the Company. It is expected that the implementation of SA Connect will strengthen our financial position in the short-term, as we move closer to becoming profitable. Our five-year corporate plan will act as a foundation from which Broadband Infraco will create sustainability and profitability to ensure the Company continues to deliver on its mandate, by expanding the availability and affordability of access to electronic communications in underdeveloped and under-serviced areas.

The dedication of our employees in going beyond the call of duty to provide customer services in record time, as well as urgent service restorations where required, has resulted in notable successes pertaining to the network statistics and customer expectations. Notable among some of these successes was the supply of 100G and multiples of 10G services to various customers, under very challenging conditions and timelines.

Additionally, we successfully installed, tested and integrated the mTera optical transmission technology, which allows network capacity increase in units of 100G. All this was accomplished utilising only internal resources.

A new strategy was crafted to make new products available in an effort to combat the challenges and competition from Over The Top (OTT) service providers. This was completed successfully, for the following products:

- NOC as a service,
- Co-location, and
- Proof of Concept for Internet services.

The development of these products clearly indicates our technical capability and capacity in anticipating and meeting external challenges as they arise. These products will be officially launched to increase revenue streams for the Company.
One of the Company's notable achievements is evident in the successful roll-out of the SA Connect project within the allocated short timeline. The Company stepped up to the challenge of rolling out the required number of sites within a very short timeframe after the order was granted by the Department of Telecommunications and Postal Services (DTPS). The installation of 313 government sites in remote areas have been completed and 258 sites were successfully tested at speeds of 10Mb/s, utilising services from a combination of the private sector, SOCs, and SMMEs. The empowerment of small businesses that was borne from the implementation of Phase 1 of the project remains one of our highlights of the financial year under review.

During the year, Eskom implemented stage 3 and 4 load shedding and applied strict measures to cut off electricity supply to municipalities that are behind in payments, therefore frequently shutting down the power supply to these areas and thereby affecting our network reliability. Some areas experienced AC supply outages, as much as three times per day. Over and above the unreliable power supply, break-in incidents continued to affect network operations with batteries and equipment being stolen from various PoPs. A few options for better network assets security are being tested in that regard.

With this said, the network continued to perform in accordance with the required performance statistics as measured directly on the network. The good network performance is seen in the customer service level agreement (SLA) statistics, which on average met strict international standards. Although the network performance generally improved, the effect of load shedding on the network resulted in slightly negative performance statistics than would otherwise have been the case. The risk to the network, due to the continued increased scheduled AC outages from suppliers, remained high.

The Company will continue to work on the network to improve the performance of various sections, as well as the overall resilience of the network. Some projects that had been planned to improve network performance for certain specific regions were completed and assisted in stabilising the performance of those localised areas. There were, however, noteworthy challenges faced in managing the network, including the interest of other State-owned entities and primary suppliers in competing in the same arena to destabilise the market, even though they do not have a primary mandate to supply communication networks to the industry at large. This has resulted in the requisite resources being withheld, which affected both the cost and timely delivery of some of Broadband Infraco's major customers' projects. Challenges of capacity, redundancy and vandalism have not dampened the spirit of the teams who continue to perform with their full dedication.

The roll-out of SA Connect, the momentum generated in the sales environment and the effective cost containment measures embedded in the Company, make the Company poised for an engaged and successful year. As the entire country is galvanising resources and mobilising partners for a structured Fourth Industrial Revolution (4IR) strategy, the foundational infrastructure remains crucial to achieving the country goal of connectivity for all. Broadband Infraco remains instrumental in playing a significant role in ensuring that the social goal of inclusivity is attained.

Intellectual Capital

In the reporting period, the Company continued to execute its Build, Grow and Expand (BGE) strategy, which was developed in the 2013 financial year. The BGE strategy ensured that a solid platform is in place to create momentum towards growth, innovation, and sustainability by preserving the value of the Company and connecting the nation and beyond.

This strategy identified 23 initiatives to turnaround the Company in the 2013/2014 financial year. In the 2018 integrated report, it was indicated that out of the 23, 19 were achieved, two were ongoing and two were a challenge. We are elated to report to our stakeholders, that all the initiatives have been achieved, despite challenges.

The development financiers have funded the implementation of the SA Connect. The sales incentive program was also implemented during the year under review.

The Company continued to review the standardised processes, policies, and procedures to ensure good governance and continuous improvement. We have maintained our ISO 9001:2015 that was granted at the end of March 2018, though issued in the first quarter of the year under review. We track several key performance indicators (KPI's) to measure business performance, notably those determined by the Shareholders in the annual performance plan and contracted through the Shareholder compact.

Financial Capital

The implementation of the sales strategy has borne fruit as new sales contracts increased by 72%, whilst revenue has not increased with a significant rate, though it has shown steady growth.

Whilst the demand for our products is growing, capacity constrains which are also restricted by Capex investments, pose challenges to conversion of sales to revenue. There is a great opportunity for improvement in securing capital investments for network capacity upgrade to enable faster conversion of sales to revenue.

Our customer base increased from 46 to 57 during the year under review. This, together with the increase of government sites connected under the SA Connect, enabled the Company to increase revenue by 9% from the previous financial year. Further to this, the capacitation of the sales environment resulted in the Company achieving more than R370 million in third-party new sales contracts for the year.
Cost of Sales for the year is 6% higher than the previous financial year. This is mainly due to the increase in costs to provision the services for the sites connected under SA Connect.

Operational expenses (excluding depreciation) are 2% lower than at the end of the previous financial year, mainly as a result of the lower than expected headcount and continued cost containment management. The management is positive about overall profitability and the improvement thereof over the next twenty-four months, due to the good sales pipeline, improvement in Project deployment, as well as funding resourcing, starts to be achieved.

The Company continued to remain cash positive, with positive Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) of R154 million and, a positive net inflow of cash resources from operations for the second consecutive year.

We made an operational loss of only R15 million for the year ended 31 March 2019, compared to a loss of R113 million in the previous financial year. This improved performance for the year is as a result of continuous effective cost management and the completion of the mTera equipment upgrade. This upgrade included free of charge mTera equipment that was capitalised. The capitalisation of this equipment resulted in an increase in other income in the Statement of Financial Performance, which in turn resulted in the improved Company performance.

Significant progress was made during the later part of quarter 4 to convert the Shareholders' loans into equity, and as a result the conversion is accounted for in the statement of financial position as at 31 March 2019.

Funding

We continue to follow a funding strategy that is designed to cater for a transitioning business model that will enable sustainability.

The Company's business model has transitioned from a single customer to one based on multiple customers, ranging from the private sector to the public sector. The Company's planned capital investment program is supportive of long-term financial sustainability, with four key priorities:

- Revenue protection projects;
- Revenue generating projects;
- Mandate and license obligations projects; and
- Essential asset upgrades and refurbishment projects.

The funding strategy serves to source funds from various financial institutions, selective vendor financing alternatives and other providers of medium-term debt financing. The financial institutions are targeted as a source of short-term cash and liquidity provisioning facilities, and to support the Company with long-term debt capital. The medium-term funders will also be expected to support the Company with long-term debt capital, whereas vendors will be sought to support the medium and long-term balancing of operational costs with revenue, through financing of technology enhancements.

During the year under review, the Company secured the majority of the funding required for the roll-out of SA Connect from the Development Bank of Southern Africa (DBSA).

Manufactured Capital

Network Build

The financial year 2018/19 commenced with a significant number of outstanding projects from the previous year. These include:

- *The capitalisation of eleven historical projects were completed;*
- *The roll-out and completion of projects like the 13 x mTera nodes;*
- *Route 11 Customer 2 service migration;*
- *Customer 1 NGN protection links;*
- *Qumbu site relocation, were significant milestones and;*
- *313 SA Connect sites installed and 258 ,tested end-to-end.*

All mTera nodes were successfully integrated with the full technical support of the internal team. The Data Channel Network (DCN) Audit was completed and the final report accepted and signed off.

SA Connect Phase 1A started with site surveys and installations in April 2018 and by June 2018 the initial sites were successfully tested, end-to-end. Thereafter more SA Connect sites, totalling 258 were handed over to the DTPS, with a total number of 313 installed.

Network Service Availability

We have consistently exceeded the average network performance targets agreed to with our customers. However, in the year under review the network service availability was lower, at 99.65% compared to 99.73% in the previous financial year. The main contributor to this slight decline was due to frequent and lengthy optical fibre outages.

The graph below shows the average service availability trend over the past five financial years.

Average Service Availability Per Year

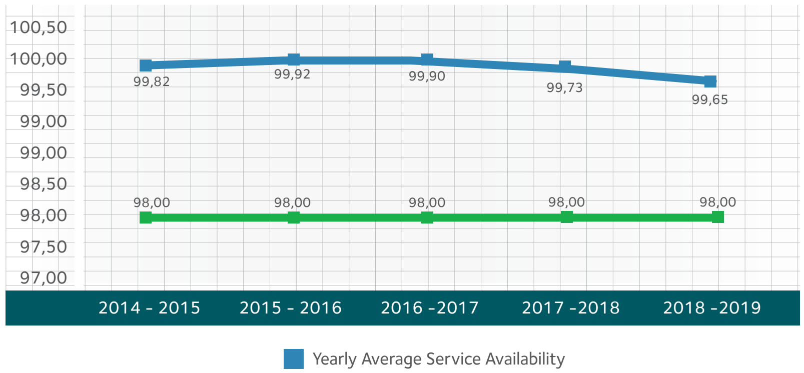


Figure 1: Average Service Availability

Social and Relationship Capital

We continued engagement with our regional counterparts, the Southern African Telecommunication Association (SATA) and West Africa Cable System (WACS), and strengthened our relationships and increased brand awareness.

We increased our customer base from 46 to 57 in various segments. We have maintained 100% retention of our customers despite some contracts coming to the end of its tenure, the Company adopted a High School in the year 2013 to support the Maths and Science program, through the provision of broadband connectivity, as a responsible corporate citizen. In previous years, interactive teaching and learning aids, such as interactive white Boards, telematics, computer tablets, computer laboratory, and cyber-security, were provided. In the year under review, a new school, Borakanelo High in North West Province was adopted and broadband connectivity, including a computer lab and telematics, were provided in partnership with our service providers. Ten Educators were trained in the use of the telematics. cyber-security and training on cyber-bullying will be provided in the following year, to create awareness of such social ills.

The Company has successfully deployed systems, policies and procedures to comply with all statutory supply chain management requirements which include, but are not limited to, National Treasury prescripts, the Preferential Procurement Policy Framework Act (PPPFA), as well as Broad-Based Black Economic Empowerment (B-BBEE) policies. The procurement strategy is specifically designed to attract a meaningful contribution from previously disadvantaged groups and to create an environment within the Company where these individuals enjoy preference in terms of the supply of goods and services, in all spheres of the supply chain.

All B-BBEE performance targets that were set for the year, were achieved.

This is the result of a well-executed strategy to improve spending on targeted designated groups.

Human Capital

The strategy for continuous improvement of the employee morale, good stakeholder relations, fulfilment of the employee value proposition, the obligation towards labour legislation compliance and ensuring effective administrative controls, remains a priority. The intention is to achieve high measures of employee satisfaction for the attraction of required skills and the retention of existing talent. The following initiatives were flagships for the workplace morale revitalisation strategy:

- A vigorous drive to revise existing people management policies and the development of a sales compensation structure and policy for the sales environment.
- A review of the terms of reference (TOR) for the employer/employee consultative forums and consistent employee engagement events (quarterly staff meetings).
- The annual employee wellness day remains the highlight of employee interests and the event has always provided invaluable mental, physical and other support/advisory services.

A new employee representative body, Information Communication and Technology Union (ICTU), took over from the long-existing Communications Workers Union (CWU), as the majority employee representative body.

The Company had the opportunity to have a first time experience in implementing some of the initiatives that had since been planned as part of the employee value proposition imperatives; among others:

- The Chief Executive's award as part of the employee reward and recognition program;
- The implementation of the career pathing ladders upgrading, from internship program to operational entry level; and
- The implementation of the sales commission payments, based on a new policy and rules.

The year also had a degree of lows, as it was a continuation of the inability to meet all planned skills development needs due to budgetary constraints. Some requested interventions had to be carried over to the new financial year.

The moratorium in filling vacancies has also limited possibilities of improving the representative demographic profile, to include more women and persons with disabilities.

The morale of employees was also weakened by the continuation of the precarious financial position of the organisation which was coupled with the uncertainties emanating from the impending rationalisation of the SOC's.

Outlook

This year saw the Company improve its financial performance with an increase in signed new sales contracts a positive sales, pipeline which led to good sales and costs being maintained at inflationary levels.

To ensure that we continue on this positive growth trajectory, our 2019/20 sales strategy will focus on the following, to ascertain that revenue targets are achieved:

- Key Accounts Retention and Growth,
- Strategic Partnerships,
- SADC Connectivity; and
- New Product Development.

Capital projects plans for the 2019/20 financial year, include the following:

- The 1.2Tb/s network capacity upgrade;
- Activation of 4 X 10G from Yzerfontein to Global Switch in London;
- Build redundancy links;
- Northern Ring Route 7 upgrade;
- Krugersdorp – Swartruggens Fibre Build
- IP/MPLS network;
- ASON; and
- Installation of 400 SA Connect Sites.

Plans to improve network reliability to lower the failure rate, include:

- Planned maintenance to effect network defect and permanent repairs;
- Scheduling routine preventative maintenance (PRM) activities twice a year; and
- Confirming battery standby capacity for multiple sites in various regions..

The following SPOFS will be prioritised in order to improve the network service availability:

- NZASM-Eskom Park and Eskom Park-Nelspruit;
- Windemere-Cape Town; and
- This SPOF impact Route-2 and Route-11f or approximately 15km.

We will continue to review the adequacy of human resources for the SA Connect Project, including the upgrading of requisite skills and filling of all critical vacancies. Efforts to improve Employment Equity demographics for increased females and Persons with Disabilities while implementing these future plans, will also be intensified.

In December 2017, Cabinet approved the framework for the rationalisation of SOEs (State Owned Enterprises). This approved framework includes the formation of the National Broadband Network (NBN) Company, which will be formed out of the merger of Broadband Infraco and Sentech. With this said, the strategic outlook of Broadband Infraco for the long-term will consider the impact of the rationalisation of SOEs.

We now have access to an ECS licence which will enable us to expand our product offering, enhancing the value proposition and position us to move up the value chain. This, in turn, provides us with an increase in revenue streams that will further strengthen the financial position of the Company.

Appreciation

A special word of appreciation is extended to our Shareholders, the Minister of Communication and Digital Technologies, the Honourable Ms. Stella Ndabeni-Abrahams and her department, as well as the Industrial Development Corporation (IDC) of South Africa, and its Shareholder representative, Ms. Lizeka Matshekga and her executive team, for their ongoing support.

We wish to thank our members of the Board and the Executive team, who provided valuable and assiduous guidance to employees. We would like to thank them for their commitment in assisting with the task of re-positioning the Company, to prepare it for the future. Our gratitude also goes to all the staff members who continue to demonstrate their unwavering support and dedication in adding value to the Company's bottom line.

We also thank all our stakeholders, especially customers, suppliers and funders, for their support during the year and look forward to their continuing support during the forthcoming years.

BMC Ngcobo
Chairperson: Board

AD Matseke
Chief Executive Officer

II van Niekerk
Chief Financial Officer

STRATEGY AND RESOURCE ALLOCATION

Who we are

Broadband Infraco was established in 2007 in terms of Broadband Infraco Act No 33 of 2007 (the Act) as a State-Owned Entity (SOE). The Company was registered in 2008 with the Companies and Intellectual Property Commission (CIPC) as an entity owned by the government and the Industrial Development Corporation (IDC). In October 2009, an Individual Electronic Communications Network Services (I-ECNS) license was issued to the Company by the Independent Communications Authority of South Africa (ICASA). The Company commercially launched on 18 November 2010. As per the requirements of the Companies Act 71 of 2008, Broadband Infraco was registered as a State-Owned Company (SOC) with the CIPC with effect since 2013.

The Company is a Schedule 2 public entity in terms of the Public Finance Management Act 1 of 1999 (PFMA).

Broadband Infraco is a national asset that is leveraged by the Government to drive national growth and industrialisation. Its extensive fixed national and international infrastructure is open to all competitive and public Information Communication Technology (ICT) operators. Our legislative mandate is set out in the Broadband Infraco Act No. 33 of 2007 (the Act). Its objectives are to expand the availability and affordability of access to electronic communications, including, but not limited to, underdeveloped and underserviced areas. These are aligned with the Electronic Communications Act No. 36 of 2005 and commensurate with international best practice and pricing, through the provision of electronic communications network services and electronic communications services.

Our Vision Statement

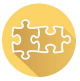
Our vision is to be a:
Provider of choice for end-to-end communication services

Our Mission Statement

Our mission is to:

- Expand the availability and affordability of access to electronic communications networks and services, including, but not limited to underdeveloped and underserviced areas;
- Ensure that the high capacity connectivity and bandwidth requirements for specific projects of national interests, are met;
- Enable national and regional private and public collaboration on infrastructure development;
- Remain relevant to customers and stakeholders by offering products and services that fulfil their needs; and
- Deliver on Shareholder mandate.

Our Values

	Values	Description
	**Active engagement of stakeholders**	Pro-actively engage stakeholders to understand their requirements.
	**Excellence in service delivery**	Provide quality services to exceed customer and stakeholder expectations.
	**Execute in a simple, flexible and timeous manner**	Design customer solutions in a flexible manner, timeously, for value add.
	**Act with integrity in all that we do**	Accountable for the highest standards of behaviour, including honesty and fairness as responsible citizens and employees, and consistently treat customers and all stakeholders with respect.
	**Open and transparent communication**	Build and maintain mutually beneficial relationships with all stakeholders, through open and transparent communication.

Our Strategy

Our strategic intent is to provide broadband connectivity products and related value-added services to public and private licensed or license-exempt customers, across all industries in South Africa, other selected African and international markets, while continuing to support projects of national importance. The Company's strategic profile is based on the following principles:

1. Understand market demand for broadband connectivity and related value-added services to market segments and respond to customers with the right value, cost-effective services, and timeous delivery to drive volume growth.
2. Ensure that products are fit for purpose, flexible, reliable and competitively priced, so as to be the provider of choice for broadband connectivity.
3. Develop appropriate, effective marketing and sales strategies that will ensure a push and pull strategy for the products into customer and industry segments, to build long-term relationships.
4. Develop, maintain and operate cost-effective national network infrastructure and capacity (including PoPs), leveraging its preferential access to Eskom and Transnet servitudes, through appropriate partnerships where required.
5. Ensure that the Company has the right capabilities, operational infrastructure, sound governance, internal controls, and risk management to facilitate business continuity and compliance.
6. Attract, retain, develop, deploy and appropriately reward people with the right skills, experience, commitment and energy, who will proactively implement this strategy and continuously manage performance through the Company's defined performance management system.

To realise this intent and profile, the strategic theme in support of the vision is to increase access to electronic communication services, through connection to our network and partner broadband connectivity solutions.

The strategy of the Company is summarised with an acronym (BGE) which stands for Build, Grow and Expand and is explained below:

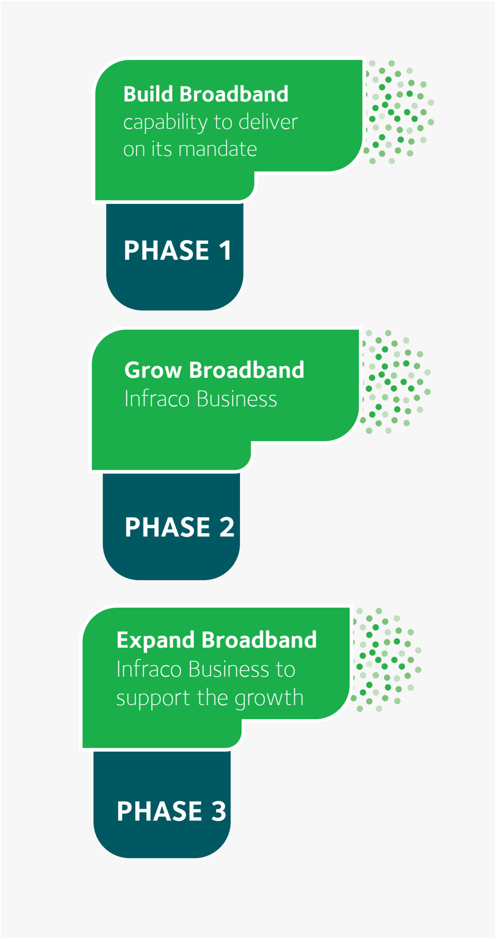


Figure 2: The Strategy of the Company

What We Do

We offer long-haul connectivity and various broadband communication services. Our mandate is in line with the National Development Plan (NDP) of establishing national, regional and municipal fibre optic networks to provide the backbone for broadband access, particularly in underserviced areas of the country. The services are based on the provision of high-capacity bandwidth from point to point on the national network. We are geared to connect the nation through the implementation of SA Connect phase, 1 in the new financial year.

Our Key Business Elements:

National Connectivity

Our national long-distance fibreoptic network comprises more than 14 958km of optic fibre cable, utilising Dense Wavelength Division Multiplexing (DWDM) equipment, to provide combinations of base capacities, ranging from 2.5 Gigabits (Gbit/s) to 100 Gbit/s lambdas along major network routes. The Company supports small Internet Service Providers (ISPs), by offering sub-gigabit capacity connections on an Internet Protocol (IP) platform. This allows smaller businesses to provide services to their clients.

Regional Connectivity

Our network covers all nine provinces, major cities and towns of South Africa, and extends to the borders of its neighbouring countries of Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zimbabwe to provide required interconnectivity.

In line with the Southern African Development Community (SADC) Protocol, we have connected all the SADC PoPs. Broadband Infraco offers services to all the neighbouring countries through interconnections at border posts.

The following are the border connectivity points:

- Ramatlabama at the border with Botswana;
- Maseru at the border of South Africa and Lesotho;
- Onseepkans at the border with Namibia;
- Mahamba at the border with Swaziland;
- Beitbridge at the border with Zimbabwe; and
- Komatipoort at the border with Mozambique.

International Connectivity

Broadband Infraco is a Tier 1 Investor in the 5.1 Tbits/s, WACS. The cable connects South Africa to the United Kingdom, with landing stations at Portugal and along the West Coast of Africa. The interlink between international cables landing on the East Coast and international cables landing on the West Coast of South Africa is crucial to our future growth plans. This forms an important backup link for undersea cables on the East and West coasts. It also provides connectivity between the two regions.

The diagram below depicts our national and international connectivity.

Figure 3: Broadband Infraco Network Footprint

Value Proposition

Broadband Infraco must be consistently positioned as:

A competitive Open-Access, carrier-neutral, connectivity enabler that offers higher than industry service level performance and diverse route coverage, allowing its customers to leverage from productivity gains acquired from using the Broadband Infraco platform which discourages self-provisioning and /or using the service platform of competitors.

Broadband Infraco's primary value proposition is treating customers as strategic partners to jointly enable "high-quality, diverse connectivity services at competitive market rates". Such a value proposition is centred around the themes reflected beneath:

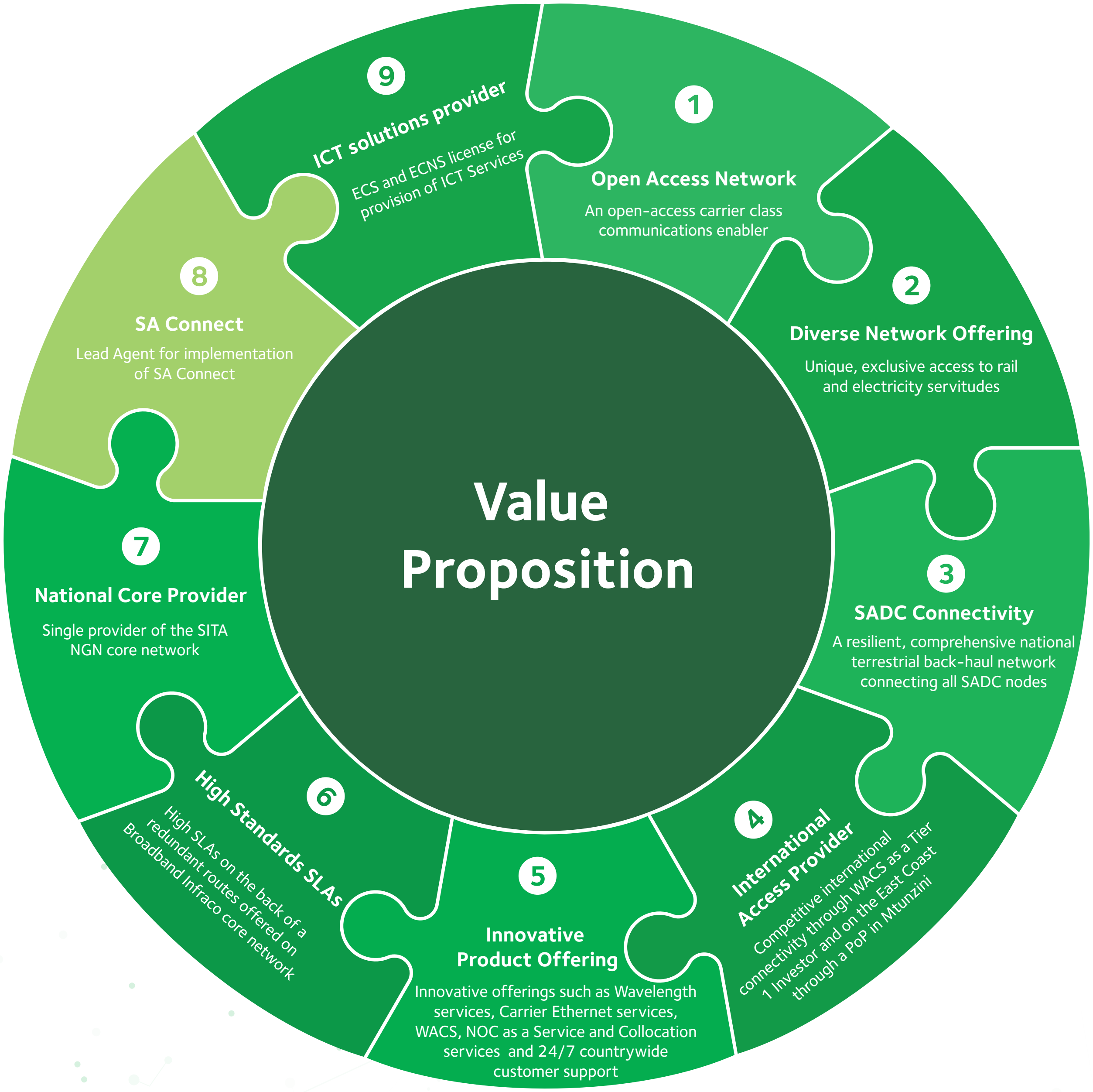


Figure 4: Value Proposition

Our Products and Services

Broadband Infraco's portfolio of products and services is based on the provision of high capacity managed bandwidth from PoP to PoP, delivered on our resilient National Long-Distance network. The evolution of technology, coupled with the high consumption of IP based services, has resulted in customers requesting high bandwidth services.

The Company responded to this, by implementing next generation dense wavelength division multiplex (DWDM) technology that can carry 100Gbps within our core network. We adopted the Open Systems Interconnection (OSI) model to define and name our products rather than use definitions based on the technology. Our services are in the first three layers of the OSI model, namely, the physical layer (Layer 1), the data link layer (Layer 2) and the network layer (Layer 3). The bandwidth services that use Synchronous Digital Hierarchy (SDH) and DWDM, are in Layer 1 and Layer 2. The Company also offers IP connectivity services, including IP transit, which is a Layer 3 service.

Our products include the following:

- **SDH, DWDM and Ethernet Services** – these services are basic network connectivity services which cover national long distances in various capacities, configurations and interfaces. Among these are the SDH, Ethernet and DWDM services ranging from a few mega bits per second to multiples of 100G, with SLAs defined by the customer requirements.
- **WACS Connectivity** – is a Tier-1 owner of the West African Cable System, it connects the West Coast of Africa, all the way to Portugal and London. The connectivity services related to this asset allows the Company to provide back up services and onward connections for the landlocked countries in the region and beyond.
- **Customer Tie Cable Maintenance Service** –is a one-stop solution to repair and maintain handover links between our PoPs and the Customer's PoP. This service enables customers to connect directly to Broadband Infraco sites via fibreoptic tie cables.
- **NOC as a Service** –is a remote monitoring service offered to third-party networks/operators on the Company's network monitoring centre, to provide network reports and performance of the customer network elements.
- **Maintenance as a Service** – this service avails our human resources and technical expertise to expeditiously repair and maintain third-party fibre networks and communication equipment systems.
- **Colocation** – allows customers to house their equipment inside our PoP sites and inside our yards. This also provides power, air conditioning, interconnect and basic engineering services for the equipment. As part of the colocation product offering, landing sites are included, offering interconnect capabilities to local and international operators.
- **IP Transit** - provides the full routing table to the service provider customers of Broadband Infraco. The Company has enabled a connection with an upstream provider for IP Transit at Teraco Isando.

Our Customers

The Company has 61 customers spanning across various segments as listed below:

Figure 5: Number of Customers

Our Stakeholder Engagement Model

To effectively deliver on our mandate and corporate strategy, we need to ensure active stakeholder engagement. We define our stakeholders as those groups that impact or are impacted by our activities, products/services, and related performance. Our stakeholders are depicted in the following model:

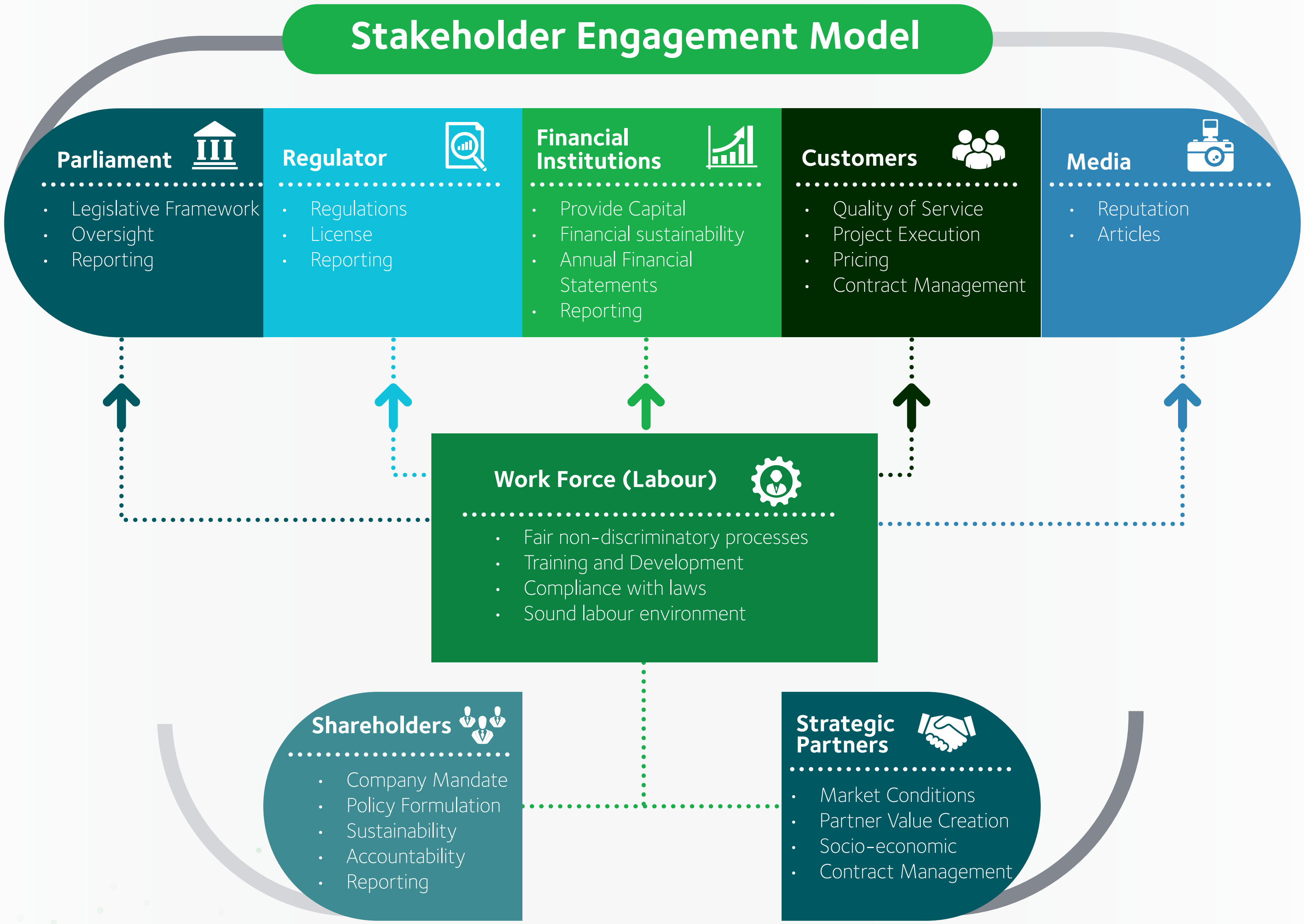


Figure 6: Our Stakeholders

Where We Operate

Broadband Infraco's main offices are in Gauteng and it has a presence in all nine of the country's provinces, spanning 13 regional offices. The map below depicts where the regional offices are situated and future expansion offices:

Figure 7: Our Regional Centres

ORGANISATIONAL OVERVIEW

Our Operating Environment

Our Internal Environment

Legislative mandate

The mandate of Broadband Infraco in terms of the Act is to expand the availability and affordability of access to electronic communications, including but not limited to, under-developed and under-serviced areas.

Leadership and Governance

Broadband Infraco is a State-Owned Company (SOC) with the Shareholders represented by the Minister of Communications and Digital Technologies, and the Industrial Development Corporation (IDC) of South Africa. The Company is also led by the Board of Directors, who is the Accounting Authority and the Chief Executive Officer (CEO) as the Accounting Officer, in terms of the PFMA. The Board is accountable for the sustainability of the Company and provides strategic direction. The CEO is assisted by the Executive Managers to discharge his duties in implementing the strategy of the Company and overseeing its operations.

The leadership of Broadband Infraco is guided by the Company's values and code of conduct. There is a clear distinction of roles and responsibilities between the Board and EXCO. **A detailed governance framework can be found on page 72**.

Strategic Planning and Execution

The strategic intent of the Company is to efficiently provide broadband connectivity products and related value-added services to public and private licensed or license-exempt customers across all industries in South Africa, other selected African and international markets, whilst at the same time continuing to support projects of national importance.

We have over the past five years executed the Build, Grow and Expand strategy (see page 21), which has ensured that a solid platform is in place to create momentum towards growth, innovation, and sustainability, thus preserving the value of the Company. There were 23 initiatives identified to turnaround the Company. In 2017/18 we indicated that 19 initiatives were achieved, two were ongoing and two were a challenge. In the reporting year, we are pleased to inform our stakeholders that all the initiatives have been achieved. In so doing, the Sales Incentive was implemented in the fourth quarter, and the SA Connect Project Phase 1(a) was completed. The implementation of SA Connect project will continue over a period of the next three years. Funding for the SA Connect project was secured from the Development Bank of Southern Africa (DBSA). The Company continues to pursue other funding options from institutions, such as the IDC, for its customer projects.

Systems, Policies, and Procedures

The Company has systems, policies, and procedures that cover all aspects of the business to ensure that internal controls are efficient and adequate. There is an enterprise-wide policy register that is updated on a quarterly basis to assist in tracking policies that are due for review.

Standards

The Company has implemented ISO14001 and OHSAS 18001 to ensure the safety of its employees and contractors. The South African Bureau of Standards (SABS) has certified compliance with the Occupation, Health and Safety Act. External auditing of the ISO 9001:2015 re-certification was completed successfully during the year under review.

Core Operations

The Sales and Marketing, Network Engineering, Network Build and Network Operations and Maintenance (Technical) and Stakeholder Management divisions form the core operations of the Company.

The Sales and Marketing division is responsible for sales and marketing of products and services, and customer relationship management.

Network Engineering, which is part of the technical environment, is responsible for the technical design of network and customer service provisioning for all technologies (IP/MPLS Design, Security, Operating Systems, DWDM and SDH, Power Calculations and Designs, and Geographical Information Systems [GIS]) experience.

Network Build, is the execution engine of all capital projects, which are formulated in the Company. They also manage turnkey projects and delivery of customer services in conjunction with internal and external stakeholders.

The Network Operations Centre monitor's the performance of the network, including all communication alarms and power failures, and ensures that all Service Level Agreements (SLAs) with customers are met.

We also have regional offices that maintain and restore the network when faults **occur as illustrated on page 26.**

The Company operates and maintains 147 PoPs and more than 14 958km of fibre throughout the nine provinces.

Enterprise Support

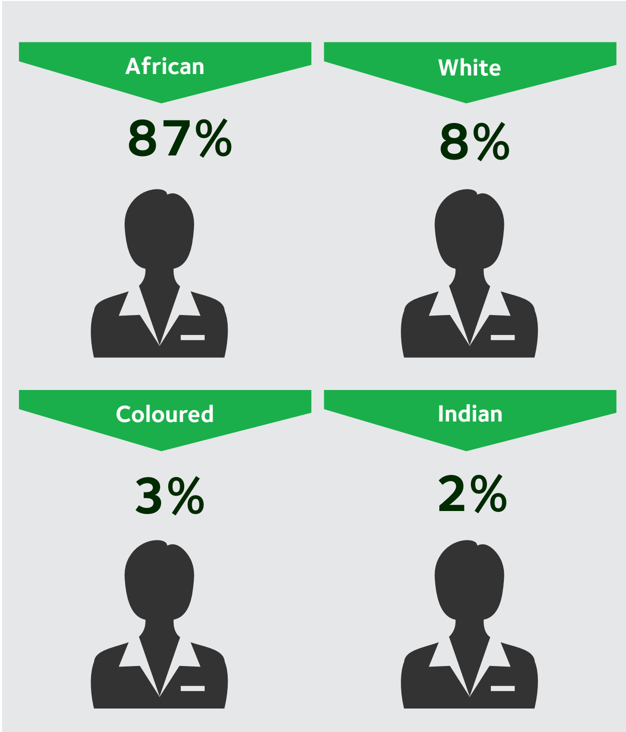
The support functions encompass strategy, business process, quality, information technology systems, supply chain, human resources, internal auditing, risk, legal, regulatory, compliance, and financial management.

Our operations are fortified by ethical leadership and effective governance.

Employment

As at the end of March 2019, the Company had a total of 166 employees, including 22 interns and one temporary worker. The demographics of the organisation are presented in the charts below with a race group representation of Africans at 87%, Whites 8%, Coloureds 3% and Indians 2%, excluding interns and the one temporary worker. Our employee gender profile is predominantly male at 65% and females at 35%, which indicates a decline from the previous year. **See details on page 67.**

Race Profile



Gender Profile

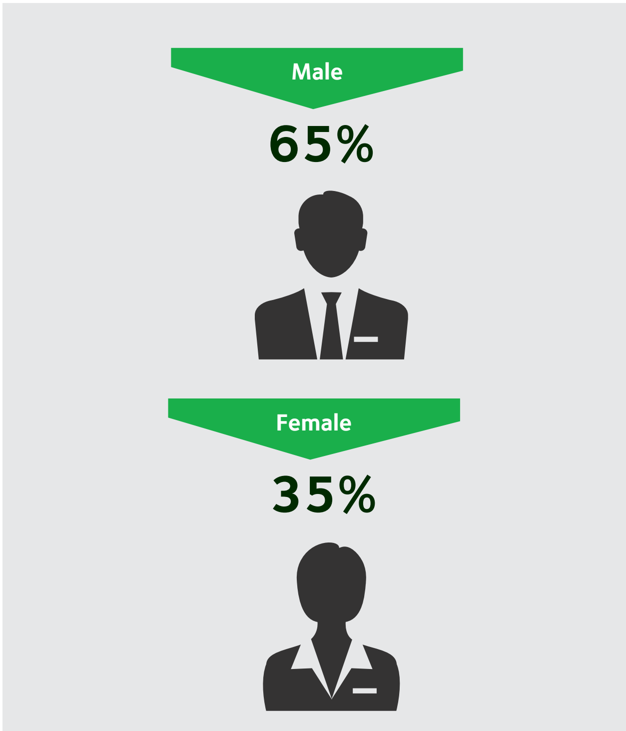


Figure 8: Employee Race and Gender Profile

The Company has put in place, mechanisms to achieve its employment equity demographic profile targets. Some of the imperatives to drive this objective included:

- The increase in the number of female interns in the technical division in an effort to improve the overall gender profile of the organisation, particularly those with technical skills.
- A breakdown of the Company demographic targets by race, gender, and Persons with Disabilities (PwD) is intended to commit the divisional heads to contribute towards the planned targets, (however, this lacked effect as a result of the moratorium on the filling of vacancies).
- Ensuring that the Employment Equity Committee has advocacy in relation to issues of equity in the organisation and present reports directly to the Executive Management, and the Human Resources and Remuneration Committee (HRRC).

Economic Transformation

The Company has succeeded in deploying systems, policies, and procedures to comply with all current statutory supply chain management requirements which include, but are not limited to, National Treasury prescripts, Promoting Preferential Procurement Regulations (PPPFA), as well as Broad-Based Black Economic Empowerment (B-BBEE) functionality.

The procurement strategy is specifically designed to attract a meaningful contribution from previously disadvantaged groups and to create an environment within the Company where these individuals enjoy preference in terms of the supply of goods and services, in all spheres of the supply chain.

The B-BBEE multiplier achievement was 98%, while the percentage of the procurement spent on black woman owned entities was 16%.

External Factors

The Company is impacted by various external factors, which form an integral part of the environment in which it operates. These include market trends, the Shareholder mandate and applicable legislation and regulations in the telecommunications industry.

Key Market Trends

Provision of Broadband

The design of high reliability and availability broadband networks must provide:

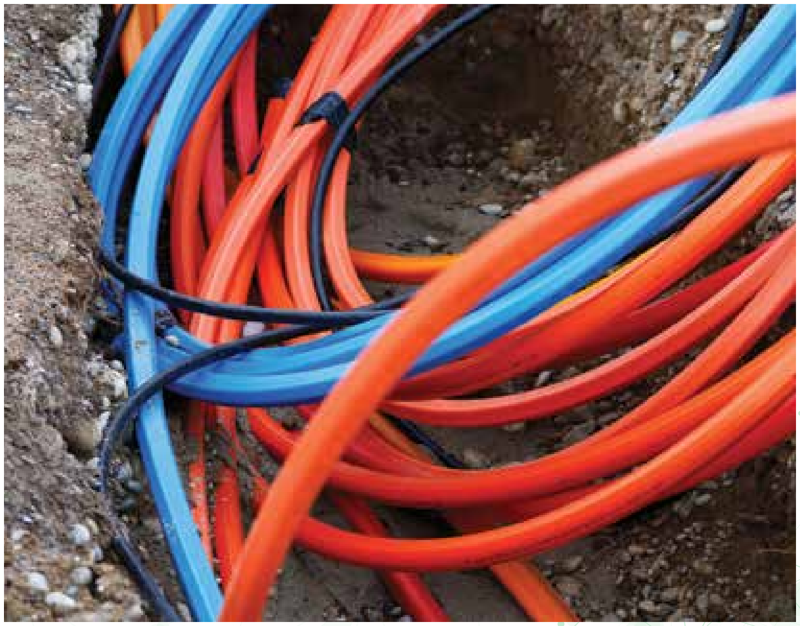
- Internet bandwidth: distance, equipment and content peering;
- Platform costs: ISP platforms and IT systems for fibre access broadband;
- Back-haul and head-end: contention per user and distance to clusters; and
- Access costs: last mile and support.

This indicates that broadband costs are being driven down by over-supply in the market, but bandwidth cost in the southern hemisphere is 10 times more expensive than the northern hemisphere, due to:

- Distance from core content providers (intercontinental);
- Lack of content to offer, from South Africa as interchange for peering; and
- The low scale of users and usage in proportion to global usage.

The cost drivers in South Africa include the cost of bringing International bandwidth to the country, cost of hosting services, and cost of providing the distribution and network to all users.

The strategy required for the future by the South African government is one where fixed broadband provision takes the lead in serving the demands for high bandwidth volumes, speed, consistent performance levels, and concentrated demand and affordability.



Broadband Infraco has been mandated to provide network connectivity for Phase 1 of the SA Connect project. This will drive the roll-out of broadband infrastructure to rural and under-served areas, with the goal to achieve a universal average download speed of 100 Mbps by 2030. The target is to be achieved in a progressive manner, with reviewable targets by increasing user experience speed of 5 Mbps in 2016 to 50% of the population and to 90% by 2020.

The broadband consumer base is changing and there is a current move away from browsing, and instead, is heading towards streaming content and gaming on the side of the consumer. Exponential growth in usage by large businesses is driven by concepts, such as Big Data, Business Intelligence, IOT, Know Your Customers and Cloud Computing.

The key operators in South Africa share capacity in the international submarine cables, making it a very competitive market. Notably, Telkom, Vodacom, Neotel, and MTN are Shareholders in both the West Africa Cable System (WACS) and The Eastern Africa Submarine Cable System (EASSy). WACS underwent a capacity upgrade to move from 3.2T to 22T and this will enable Broadband Infraco to maximize its return on investment as a major Shareholder of the system. There is an abundance of international capacity as submarine cables are increasingly upgraded to their theoretical capacity levels, made possible by technology advancement and cost efficiencies. This excess capacity creates competition on pricing, putting margins under pressure.

South Africa has as one of its current key focal points key interventions to increase the usage of ICT to facilitate socio-economic justice and inclusion, improve competitiveness and prepare for the Fourth Industrial Revolution. It should be noted, however, that numerous ICT programs might be lagging behind due to the significant lack of inter-city connectivity and infrastructure in rural areas of the country, as well as due to the price sensitivities that mar the economy. Broadband Infraco as an infrastructure player with a strong presence in the rural areas, has the favourable opportunity to help the country remedy the current centralization of connectivity in the urban areas and reducing the cost to connect in the country and the region. Additionally, it becomes the key enabler to the realisation of the National Health Insurance (NHI), eHealth, eEducation and other eGovernment services.

While improvements to network infrastructure and the adoption of cloud services and smart infrastructure will see this changing, broadband access continues to improve due to investments in a submarine and terrestrial fibre-optic networks which have increased capacity and coverage, and trends in which Broadband Infraco is actively participating as a Company. This can be seen in the recent signing of an MoU with Angola Cables to open a gateway into improving connectivity into the SADC region.

The recent focus on "smart cities" has seen a fervent determination by municipalities and SALGA to introduce innovative ways to implement the management of amenities that will have a requirement for data and back-haul capacity usage. Several challenges still stand in the way of smart cities becoming a reality in South Africa, these include underdeveloped infrastructure. This recognition has led the Company to renew its positioning to ensure infrastructure readiness for related future requirements.

The ICT industry is ever-changing and requires that the Company remain agile and proactive to continue to be valuable and sustainable. Below is a synopsis of market trends that will impact the face of broadband connectivity in South Africa and Africa in the near future:

- Cloud Services: Vodacom announced a strategic partnership with cloud giant, Amazon Web Services (AWS), which will see Vodacom become both a customer of AWS and a reseller of AWS services. This will enable Vodacom to move more services to the cloud, resulting in more network efficiencies and also allow Vodacom access to analytic tools, providing opportunities to create products which Operators can take to market quicker.
- Microsoft Azure unveiled its two cloud data centres, one in Johannesburg and another in Cape Town.
- Chinese telecoms giant, Huawei also recently began offering its cloud services commercially, in SA.
- Data Centre Services: Teraco Data Environments has been bought by Berkshire Partners, a Boston, US private investment firm. Teraco is the largest provider of data centre services in Africa.
- SD-WAN: Vodacom has introduced Software-Defined Wide Area Network (SD-WAN), through Vodacom Business. The Telecom Company is one of the first to launch the digital offering in the South African market.
- BCX launched SD-WAN Suite locally, to simplify network management.
- From the above significant developments, solid infrastructure is required. The Company needs to improve its vertical product offerings and reselling of cloud services to SMMEs, ISP market and government departments. We are investigating opportunities for collaborations with some of the SOEs for cloud and data centre proposition.

- 5G Delays: Government's plan to enable the fourth industrial revolution in South Africa requires expediting the allocation of both 4G and 5G spectrum. It is expected that a policy directive will be given on spectrum allocation, in the near future.
- New entrants in the small ISP space: South Africa-based ISP Cool Ideas, has signed an agreement with Angola Cables to take up colocation services in the telco's recently inaugurated data centre in Fortaleza, Brazil.
  - Mind the Speed is South Africa's newest fibre ISP that will offer excellent uncapped packages at the lowest prices in the market, when it launches.
  - Google has a massive investment in under sea cables and a strategy for a Southern America ring.
  - Telkom's roaming agreement finalisation with Vodacom enables Telkom reach for Telkom Mobile.
  - The emergence of a major competitor, Community Investment Ventures Holding (CIVH), through an increased stake in Vumatel from 34,9% to controlling shareholding. This makes CIVH positioned for end to end fibre solutions provisioning with capability that encompass:
    - International backbone through Seacom, National long distance through Dark Fibre Africa (DFA) and Fibre to the Home (FTTH), through Vumatel.

It is important for the Company to remain abreast of new developments in the industry, to ensure that it creates an environment for constant investment in its infrastructure. This will serve to meet the needs of the fast developing and constantly-evolving technologies that are needed to provide high-speed and good quality infrastructure and services, on which these innovations and global competitiveness will depend.

Shareholders Mandate:

Broadband Infraco's mandate is to expand the availability and affordability of access to electronic communications, including, but not limited to underdeveloped and underserviced areas through the provision of electronic communications network services and electronic communications services.

The Company pursues commercial imperatives, as well as a public mandate and policy objectives. Our five-year Corporate Plan illustrates our strategic and operational direction, including the strategic objectives and resource plans, financial and human, required to enable the realisation of this direction. The Shareholders Compact defines clear objectives for performance measures and targets between the Board of Directors and the Shareholders. This is a governance tool to ensure clarity of roles, alignment of strategy, and delivery on Government outcomes. The Corporate Plan and Shareholder Compact and Annual Performance Plan (APP) are submitted to the Shareholders for approval before the commencement of each financial year. The Company quarterly reports that are submitted to the Shareholders, are an effective performance monitoring tool.

The Corporate Plan encapsulates all the six capitals, whilst the APP measures the impact of five capitals as the critical focus areas for the Board, as follows:

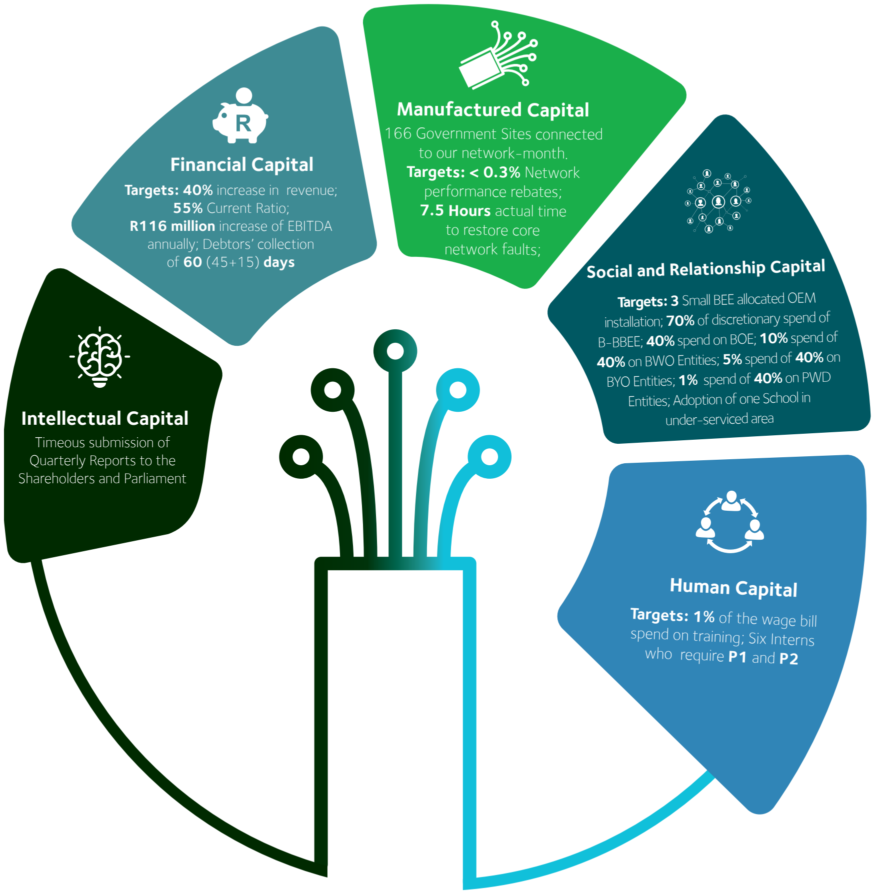


Figure 9: Annual Performance Plan

Performance against the Annual Performance Plan is set out on pages 45 to 47

Compliance with Laws, Rules, Codes, and Standards

Broadband Infraco is accountable to all its stakeholders, both internally and externally and recognises all regulatory requirements applicable to the business. Great emphasis is placed on ethical values and integrity as an organisation to comply with the legislative framework within which the Company operates. The Company recognises that the greatest risk of non-compliance stems from ignorance of the law which could result in hefty fines or penalties, as well as reputational risk. The Board of Directors, Executive Management and employees, are therefore regularly appraised of compliance requirements.

HOW WE CREATE VALUE

Our Value Creation Process

Our value chain is illustrated in the Enterprise Process Operating Model below, that depicts how we create value for our stakeholders:

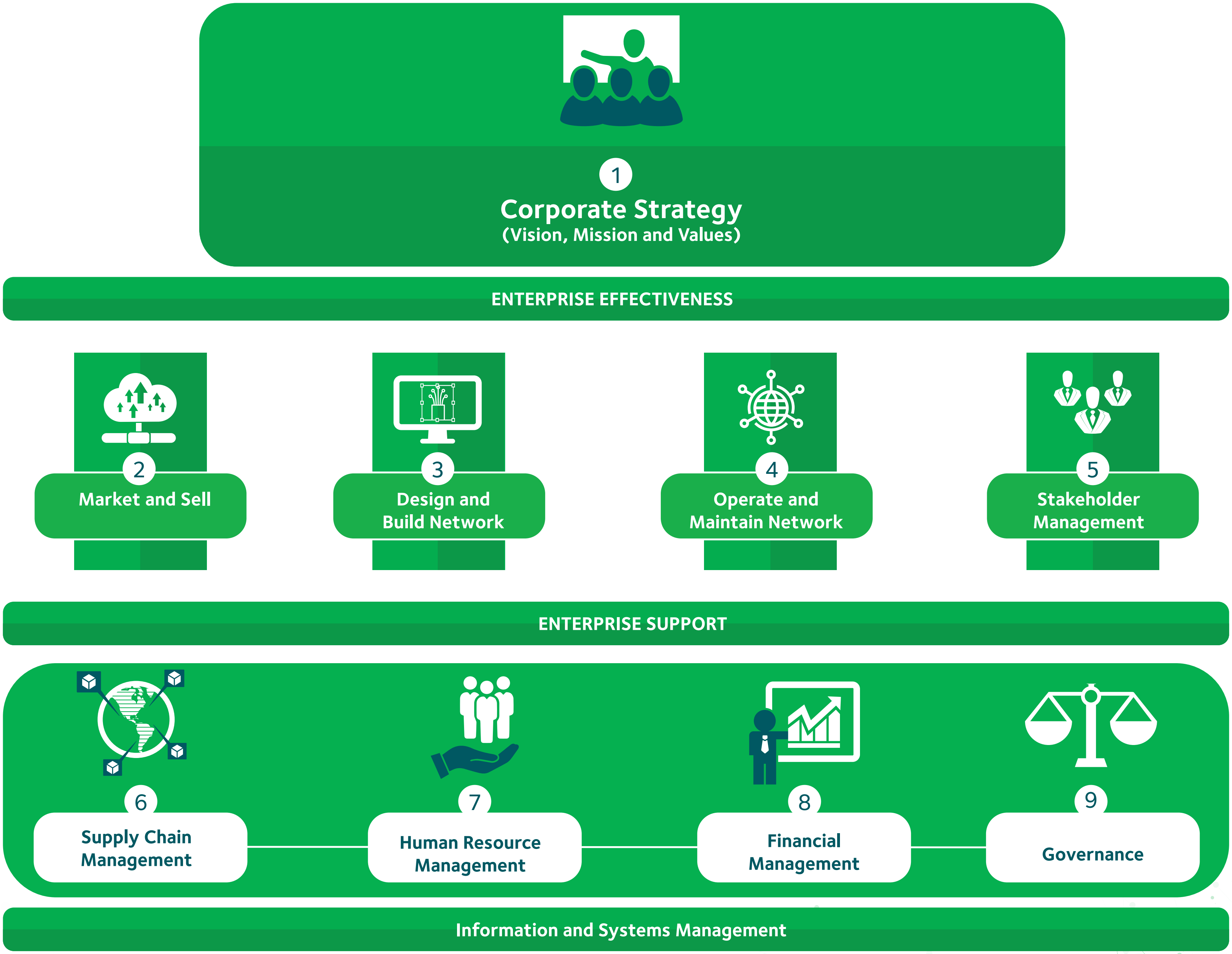


Figure 10: Revised Enterprise Process Operating Model

This Enterprise Process Operating Model outlines the processes, information, systems, and resources required to execute strategy, thus depicting how we create value. This model is a compass that ensures that the Company functions on sound and innovative strategic planning that drives the allocation of resources, to enable effective operations for value creation. It is stratified into four distinct areas reflecting the Company ethos, core operations, enterprise support, as well as information systems. Our value creation flows from the Company ethos, which is expressed in the vision and the mission as encapsulated in the strategy. The top layer of the our model entails the business processes, quality and information technology management, as enablers of strategy implementation. The Intellectual Capital of the organisation resides in this layer, which includes the policies, processes, standards, frameworks, and systems. The second layer is the pillar of the core operations, inclusive of Sales and Marketing, Design and Build Network, Operate and Maintain Network and Technology and Customer Relationship Management. This layer is the anchor of our value creation, which consists of core operations (Manufactured) and the Social and Relationship capitals.

The third layer entails the Enterprise Support functions that include Governance, which underpin the operations of the Company, and reflect the interdependencies of the Financial, Human, Intellectual, and Social and Relationship capitals.

The model is continuously assessed to drive improvement and relevance in the way the Company operates.

Strategic Outcomes-Based Goals

Our mission statement, referred to in page 19, is translated into strategic outcomes-oriented goals and objectives to identify the areas of our performance that are critical to the achievement of the mandate, and obtaining a competitive edge in the telecommunications industry. They have been set to stretch and challenge us, but are considered realistic and achievable within the long-term planning period.

Our goals are written as statements of intent that focus on the value we aim to create through the deployment of our network to deliver products and services to our customers, and to give the citizens of South Africa access to the knowledge economy. We intend to achieve this through the efficient and effective use of human and financial capital, while impacting the environment and communities within which we operate, in a positive way. The methods used in the delivery of services are continuously enhanced to ensure value is created for all stakeholders. These have informed our strategy map. The associated strategic objectives have been translated into Key Performance Indicators (KPIs) that are measured through annual targets and quarterly deliverables. Our strategic objectives are linked to the National Treasury guidelines on an outcomes-based approach and best practice. Our objectives also address some aspects of the Presidential 9-Point Plan.

Our strategic goals are:

- Business Sustainability;
- Resilient Network;
- Economic and Social Transformation;
- Sound Human Capital Management; and
- Proactive Corporate Governance.

How we create value through Six Capitals

In this section, we show how our business model draws on the various capitals as inputs and, through our business activities, convert them to outputs. Our activities and outputs lead to outcomes in terms of effects on the capitals, as reflected by the figure below:

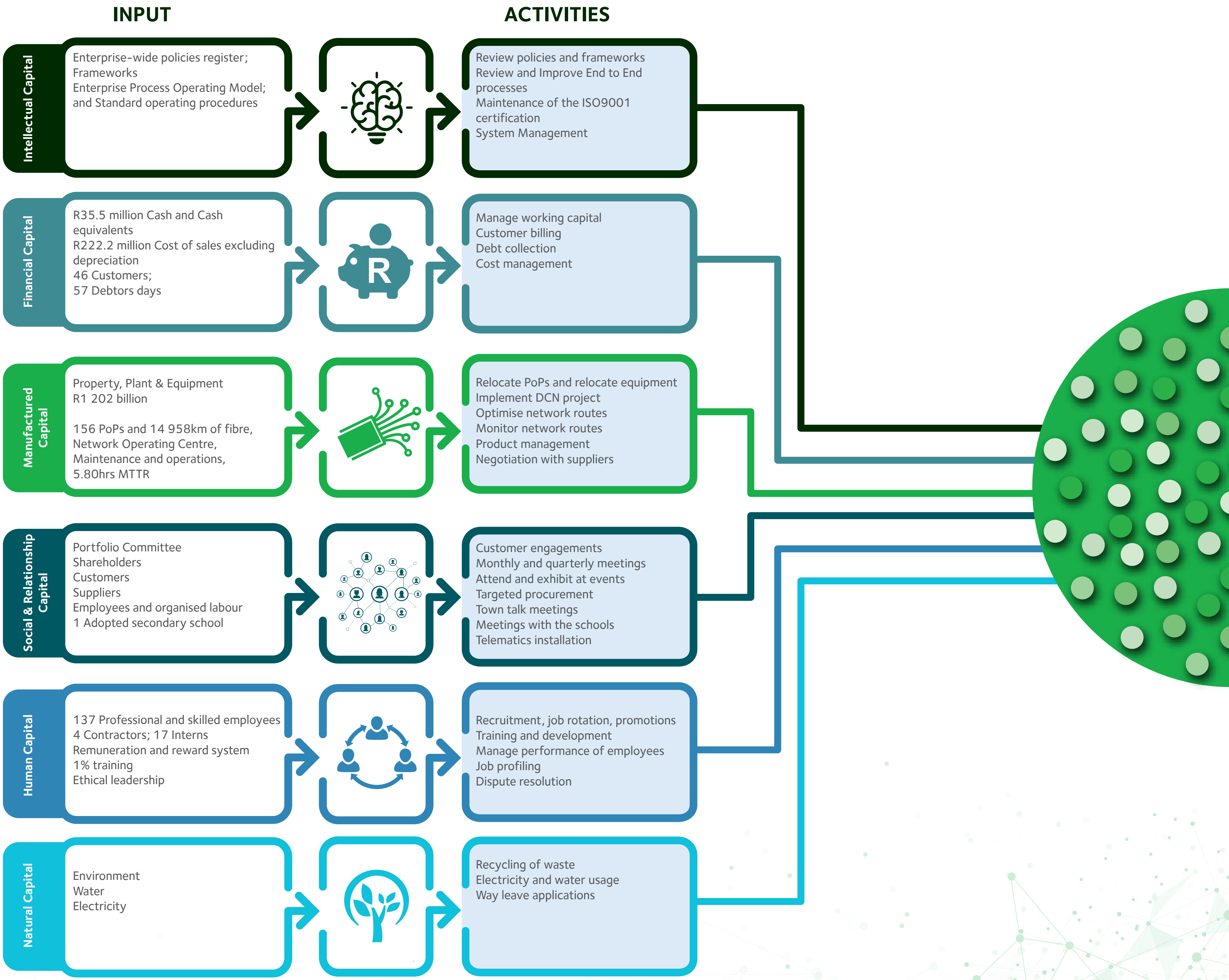


Figure 11: The Six Capitals

Capital	OUTPUT	OUTCOMES
Intellectual Capital	Quarterly reports updated policy register Effective value chain End to end processes	Compliance Improved internal controls Mitigated risks Improved processes
Financial Capital	8% Revenue increase 117% Current ratio 36.8% EBITDA 53.5 Debtors Days Monthly/ Quarterly/ Annual Billing	Managed customer accounts Increased Revenue Cost of doing business reduced
Manufactured Capital	313 SA Connect Sites connected 147 PoPs 14,958Km of Fibre 5.78 Hours MTTR	Network autonomy Increased cost of sales Improved network performance
Social & Relationship Capital	57 Customers 11 SMMEs appointed for installations and 3 allocated work, 104% spend in B-BBEE; 49% BOE, 44% BWOE; 8% YOE; 2% PWDOE; 1 new school adopted telematics installed; 10 Educators trained	Increased customers Increased participation of Black women in ICT Improved security against cyber crimes and bullying education
Human Capital	137 Employees 6 Intake of interns 1.8% Training spent Internally developed training manual Level 7 B-BBEE	Improved capacity and capability of employee Increased productivity Retained skilled employees
Natural Capital	Water and Electricity usage Recycling	Efficient usage of electricity Recycled waste

MATERIAL MATTERS

Material Matters Determination Process

The content of this integrated report is based on the Company's financial and human capital material matters. We define a material matter, as a matter that has substantial potential to affect our performance and ability to create and sustain value over the short, medium and long term. We base the determination of materiality in integrated reporting on the guidelines of the International Integrated Reporting Council (IIRC).

The materiality assessment process entails the identification of matters most significant to our business and stakeholders. The financial sustainability, social, and governance issues of concern, is highlighted through ongoing stakeholder engagement. These activities also inform our response to risks and opportunities.

The Company reviewed the material matters in the 2018 corporate plan through an internal strategic planning workshop. The workshop included the Shareholders' representatives, the Board of Directors and Executive Managers. The process tested the validity of the material matters and ensured alignment to our integrated thinking approach and strategic objectives.

The material matters emanate from:

- The business environment that includes both internal and external;
- Our strategy and opportunities;
- Relevant concerns raised by stakeholders; and
- Key risks.

Economic material matters are discussed in more detail on pages 28 to 30.

Our main material matters are detailed beow on pages 42 to 43.

Risk Management

The Board, assisted by the Audit and Risk Committee, is responsible for risk management to support the setting and achievement of strategic objectives. More information on risk management and our risk management framework is included in the leadership and governance section of this integrated annual report **on page 85.**

The management team takes responsibility for the day-to-day design and implementation of risk management processes and systems. They are guided by the risk management policy, the enterprise-wide risk management framework and the risk management plan, which are regularly reviewed.

The internal audit function reviews risk management practices as part of the internal audit cycle. As part of their audit, information is provided to the external auditors to assess the effectiveness of the Company's risk management processes.

Our Risk Management process is depicted below:

The enterprise risk management is a cyclical process which requires regular and systematic evaluation to deliver a sound decision-making process. This, in turn, leads to the achievement of high-quality services delivered on a value for money basis.

This Risk Management Framework outlines how risk management processes should be implemented and maintained within the Company. The six interlinked elements are as follows:

- Risk identification;
- Risk evaluation and prioritisation;
- Mapping risks against risk appetite and tolerance levels
- Risk response and mitigation;
- Risk monitoring and review; and
- Communication and reporting.

The figure below illustrates our risk management process:

Figure 12: Risk Management Process

SHEQ risk management

The responsibility for managing the effectiveness and efficiency of the SHEQ process rests with the Board. The SHEQ unit ensures that a policy is in place and that the Company is proactive in its risk assessment and professional in its remediation. The SHEQ rules are the most significant tool to measure our commitment to safe operations.

To ensure relevance and proactive steps to the Company-wide policy and strategy, executive managers review the SHEQ policy regularly for improvements in monitoring techniques, investigation and controls. The policy states that Broadband Infraco will develop its SHEQ capabilities to world-class standards by marketing and provisioning quality services and products that are safe and do not pose a risk to employees, customers, or to the environment. The Company is committed to compliance with all external regulations, including ISO 9001, ISO 14001 and OHS 18001.

Our top nine risks

A detailed report on our strategic risks that have the potential to impact the achievement of our strategic objectives and our ability to respond to opportunities, is found in the Leadership and Governance section of this report on **pages 85 to 87.**

Engaging our Stakeholders

Our stakeholder engagement model is depicted o**n page 27** and our responses to their concerns are detailed below.

The stakeholders with the highest levels of influence and interdependence are government structures involved with information telecommunication policy and economic development, funders, employees, clients, and strategic partners.

The government relies on Broadband Infraco as an aggregator of broadband infrastructure to deliver against its SA Connect goals amongst other expectations, while the Company relies on the government for funding for the roll-out of broadband infrastructure to underserviced areas and to create an enabling environment conducive for investment and economic growth. We strive to raise project funding from development funding institutions and other lenders who in turn depend on us to honour our financial obligation. We rely on third parties and partners in the provision of services to customers and rolling out of fibre in the electricity and rail infrastructure and we in turn expect customers to pay for the services timeously.

The service providers expect us to pay for the services and goods timeously. Without the commitment of our human capital, we will not be able to provision customer solutions within the agreed timelines and requirements, while our employees expect us to provide a conducive work environment that offers meaningful work, market-related compensation and suitable skills development.

Stakeholder feedback and external environmental scanning results inform our mandate and purpose. The resultant material issues were confirmed after considering the key risks and strategy of the organisation. The Audit and Risk Committee (ARC) validates all material matters.

Our Executive Management is responsible for managing the material issues in a structured way and ensures that the list remains current and relevant.

Stakeholder groups and prioritisation

Table 2 Activities for Stakeholder Engagement

Stakeholder Group	What matters to them	Nature of engagement	Responses to material matters	Impact
Regulators	• Compliance to regulations • Compliance to licence Obligations • Reporting	• Meetings • Reporting	• Submission of annual returns • Compliance to licence obligations	Catastrophic
Shareholders	• Policy directives • Funding • Sustainability • Accountability • Corporate governance and compliance • Risk management • Reporting • Reputation	• Meetings • Performance results' presentations • Events • Annual General Meeting • Site Visits	• Submission of quarterly and annual reports • Request support • Collaboration with the Ministerial Office • 4IR Forums with DCDT	Major
Financial Institutions	• Funding • Cash generation • Annual Financial Statements	• Funding applications • Meetings	• Funding applications • Submit annual financial statements • Improve liquidity	Major
• Employees • Organised Labour • Non-unionised employees	• Job security • Training and development • Dispute resolutions • Labour relations • Health and safety • Business Sustainability • Performance management • Remuneration, Recognition, and Rewards • Fair treatment • Job satisfaction • Conducive working environment • Information and feedback	• Employment contracts • Performance contracting and review • Monthly payroll • HR processes • Grievance management • Town talks • Negotiations • Performance reviews • Train employees on products and services, and SA Connect	• Market related remuneration • Reward and recognition for excellent performance • Substantive negotiations • Career pathing • Training and development • Equity and fair treatment practices • Town talk meetings	Major

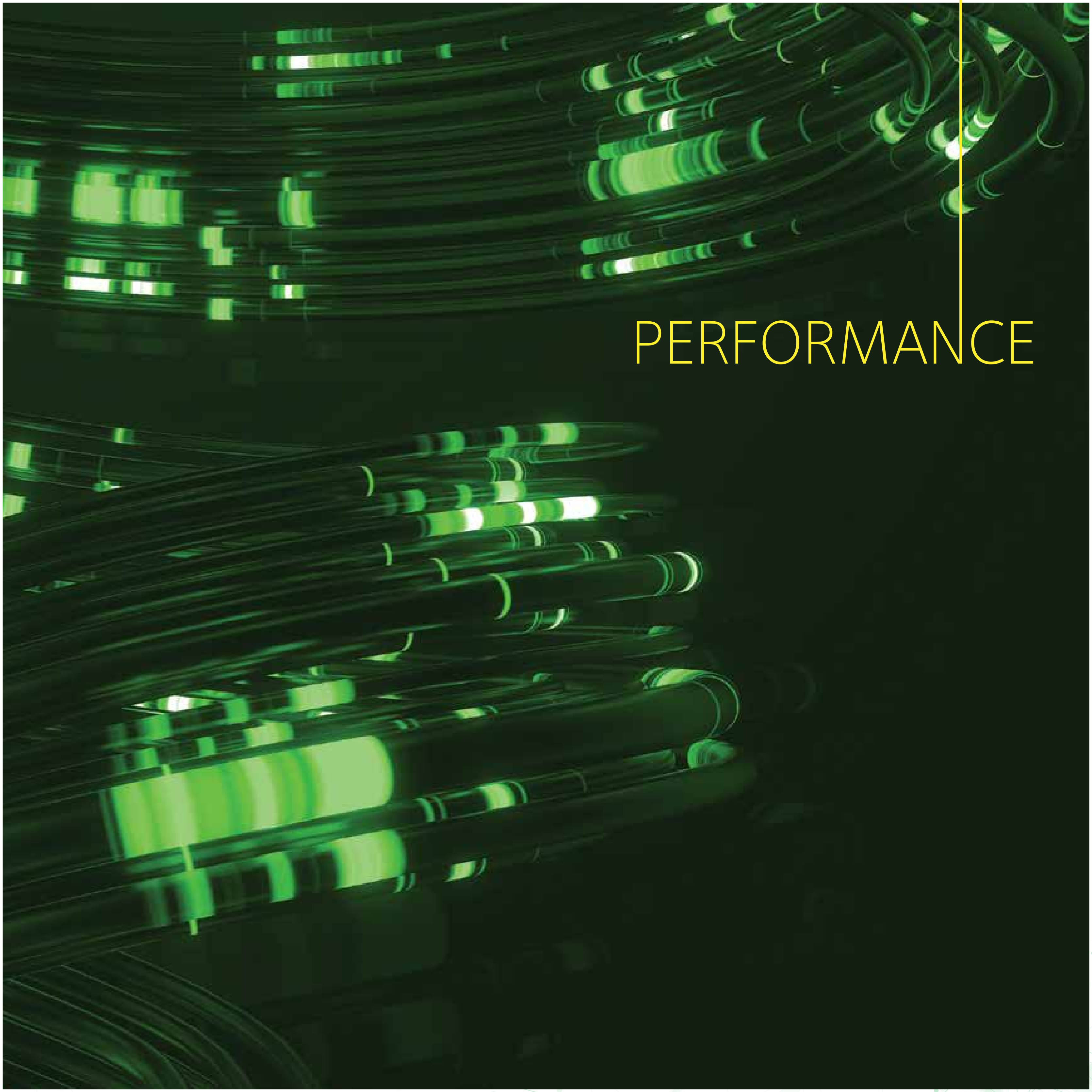
Stakeholder Group		What matters to them	Nature of engagement	Responses to material matters	Impact
	National /Provincial/ Local Government	• Policy implementation • Availability of broadband infrastructure and services • Job creation • Socio-economic transformation • National revenue contribution • Skills development levies • Compliance to regulations	• Consultations • Workshops • Meetings • Presentations • Tender management • Partnerships	• Government to Government interchange and collaborations	Medium
	Other State-Owned Entities (SOEs)	• Duplications of Broadband infrastructure • Collaborations and partnerships	• Contract management • SLAs • Meetings	• Regular engagements • Collaborations • Enforcements of SLAs	Major
	Customers	• Sound relationship • Availability of network and services • Availability to engage with customers • Competitive service solutions • Quality of service • Timeous project execution • Competitive pricing • Contract management • Speedy resolutions of network faults • Customer satisfaction • Company and network strategic direction	• Sales engagements • Regular meetings • Fault management • Performance Reporting • Service level agreement reviews • Debtor management • Events	• Regular Meetings • SATA attendance • Operator events and working groups • Ministerial ICT forum	Major
	Suppliers	• Market conditions • Contract management • Strategic partnerships • Tender management • Sustainability and growth	• Meetings • Enquiries issued to the market • Responses to tenders and RFQs • Negotiations • Contract and service agreements • SMME development • Product and technology presentations and demonstrations • Support CSI initiatives	• Timeous payments • Improved contract management • Supplier evaluation • Enterprise and supplier development	Major

Material matters-definitions

Our material matters are defined in the table below, featuring risks and opportunities related to each. We linked these to the Company's related strategic objectives.

Material Matters	Contextualisation of risks and opportunities	Strategic Objectives	Impact
Financial sustainability	Possible failure to continue as a going concern. The entity has several financial indicators that indicate the existence of a material uncertainty on its ability to continue as a going concern.	Ensure long-term financial sustainability	Medium and long term
	The Company incurred a loss for the current year and trading losses in prior financial periods. These ongoing losses are causing a decline in the solvency of the Company, as reported in the financial statements.		
	There is an opportunity presented by DCDT in appointing the Company as broadband infrastructure lead agency for SA Connect.		
	The Company had difficulty in raising funds due the lack of historical debt risk adversity of banks to fund infrastructure projects due to our weak balance Sheet.		Short term & medium term
	The conversion of Shareholder loan into Shareholder's equity provides an opportunity for a possible turnaround in terms strengthening the balance sheet of the Company which will enhance our opportunity for borrowing.		
	Margin pressure due to high competition on high demand routes impact returns on capital investments.		Short term & medium term
	The opportunity lies in the Company partnering with ISP enterprise solutions and in the Company entering into partnerships and collaborations.		

Material Matters	Contextualisation of risks and opportunities	Strategic Objectives	Impact
Government Regulations	Regulatory constraints impeding organisational agility resulting from legislative constraints due to lack of relevant licence. During the year we managed to secure the ECS License to enable the Company to expand value-added service offerings. The need to participate in the review of the regulation. The impact of Non- ICT SOC's playing in the ICT sector. The opportunity is for the Company to become a reseller of spare capacity for non-ICT SOCs and the Company entering into strategic partnerships and collaborations.	Expand and maintain broadband network infrastructure	Short term & medium term
Information and data security	Cyber-security is the unique risk individuals and businesses face as a result of using interconnected technological systems. The sector has high speed internet, etc). With the increased range and scale of services, the sector is exposed to multiple forms of information security and data privacy related risks. Engage cyber-security experts to conduct cyber-security awareness throughout the Company. There is an opportunity for the Company to develop the firewalls and off -site back-up system to protect the integrity of the Company data.	Improve Operational Excellence	Short term & medium term
Attracting, developing and retaining talent	It is generally agreed that the achievement of the organisation's strategic objectives is largely dependent on its ability to attract, retain and engage high calibre and scarce skills. This is particularly important regarding the defined critical positions, strategically critical skills and ensuring an adequate succession pipeline, especially in the telecommunication industry. Develop employee value proposition that enables the Company to attract and retain core and scarce skills. Conduct regular salary market benchmarks. Participating in MICT SETA internship programmes to appoint newly qualified students.	Build a high-performance organisation	Short term & medium term



PERFORMANCE

Annual Performance Results

95%
Achieved

The Company achieved 95% of its annual targets due to one financial sustainability target not being met. The Company has realised an excellent performance in comparison with the previous financial year, that ended at 64%. This sterling performance, albeit not meeting the revenue target, is attributable to a concerted effort by management in driving operational excellence and high performance. The Company has, for the past five years focused on the reduction of costs and as a result, had to put capital projects on hold.

The table below reflects our achievements against the key performance indicators (KPIs) listed in the APP **on page 32**. These inform our measurement and monitoring systems that provide information about our performance and direct future decision-making:

Table 3 Annual Performance Results

KPI	2018/19 Target	2014/15	2015/16	2016/17	2017/18	2018/19	Status	Comments
% Revenue year-on-year growth (including SA Connect)	40.0% Revenue year-on-year growth (including SA Connect)	R63 million Revenue year-on-year growth	R86 million Revenue year-on-year growth	(R55 million) Revenue year-on-year growth	(R18 million) Revenue year-on-year growth	8.4% Revenue year-on-year growth (including SA Connect)	Not Achieved	Revenue remained behind target mainly due to the delayed sales to billing cycle. Management added capacity in the Sales team, which resulted in new sales in excess of R130 million. Management expects that the revenue will improve in the next reporting cycle
Current Ratio	55% Current ratio	242% Current ratio	171% Current ratio	119% Current ratio	87% Current ratio	117% Current ratio	Achieved	
EBITDA as a percentage of revenue	22.9% of revenue	(R145 million) increase	R30 million increase	R35 million increase	R28 million increase	36.8% of revenue	Achieved	
Number of days within which SMMEs invoices are paid	SMME invoice paid within 30 days	New				SMMEs invoice paid within 14.68 days	Achieved	
Number of days per outstanding customer invoice	Debtors' collection of 45 days per contract plus 15 days	214 debtors' days	26 debtors' days	53.8 debtors' days	57.2 debtors' days	53.5 debtors' days	Achieved	

KPI	2018/19 Target	2014/15	2015/16	2016/17	2017/18	2018/19	Status	Comments
Number of Government sites connected to Broadband Infraco network for SA Connect Phase 1	166 Government sites connected to Broadband Infraco network	New				258 Government sites were connected and successfully tested end-to-end	Achieved	A total of 313 sites were installed and 55 are outstanding for testing as at the end of March 2019. The target was overachieved, as it was based on estimates before the order was received from DCDT.
Network performance rebates paid as a percentage of gross revenue	≤0.3% of gross revenue	0.17% of gross revenue	0.10% of gross revenue	0.09% of gross revenue	0.18% of gross revenue	0.15% of gross revenue	Achieved	
Actual Time to Restore Core Network Faults	7.5hrs Actual Time to Restore Core Network Faults	5.45 hrs Actual Time to Restore Core Network Faults	6.13 hrs Actual Time to Restore Core Network Faults	6.19 hrs Actual Time to Restore Core Network Faults	5.47hrs Actual Time to Restore Core Network Faults	5.90 hrs Actual Time to Restore Core Network Faults	Achieved	
Number of SMMEs appointed for OEM installation	Three SMMEs allocated OEM installation work annually	n/a	n/a	Three SMMEs trained on OHSAS	Three SMMEs trained on OHSAS	Three SMMEs were allocated OEM installations work	Achieved	In total 11 SMMEs were appointed to form a panel of installation service providers
Percentage allocation of B-BBEE budget discretionary spent	70% spent on B-BBEE	113% spent on B-BBEE	114% spent on B-BBEE	109% spent on B-BBEE	98% spent on B-BBEE	104% spent on B-BBEE	Achieved	
Percentage spent on Black-owned entities (BOE) spent annually	40% spent of B-BBEE on Black-owned entities	34.4% spent of B-BBEE on Black owned entities	54% spent of B-BBEE on Black owned entities	35% spent of B-BBEE on Black owned entities	27% spent of B-BBEE on Black owned entities	49% spent of B-BBEE on Black owned entities	Achieved	
Percentage spent on Black Women Owned entities (BWO) annually	10% of 40% spent on BWO	33% of 40% spent on BOE for Black Women Owned Entities	45% of 40% spent on BOE for Black Women Owned Entities	41% of 40% spent on BOE for Black Women Owned Entities	16% of 40% spent on BOE for Black Women Owned Entities	44% of 40% spent on BOE for Black Women Owned Entities	Achieved	
Percentage spent on Youth Owned entities annually	5% of 40% spent on BYO	8% of 40% spent on BOE for Youth Owned	11% of 40% spent on BOE for Youth Owned	1% of 40% spent on BOE for Youth Owned	11% of 40% spent on BOE for Youth Owned	8% of 40% spent on BOE for Youth Owned	Achieved	

KPI	2018/19 Target	2014/15	2015/16	2016/17	2017/18	2018/19	Status	Comments
Percentage spent on People with Disabilities-Owned Entities annually	1% of 40% spent on BOE	R517 672 of 40% spent on PWD	0.1% of 40% spent on PWD	R266 095 of 40% spent on PWD	0.4% of 40% spent on PWD	2% of 40% spent on PWD	Achieved	
# of Schools provided with broadband connectivity	1 School adopted in an underserviced area	Two-year connectivity, computer lab, 335 calculators, interactive boards and old furniture	60 computer tablets procured and delivered	Two different content applications installed on the computer tablets and the school server	Cyber-security installed, teachers and learners trained	1 School identified in North West, and sponsor identified, telematics and computer lab installed, and educators trained	Achieved	
Percentage of payroll spent on Training per annum	1% of the wage bill spent on targeted training and development by the end of the year	3.5% of the wage bill spent on targeted training and development by the end of the year	1.33% of the wage bill spent on targeted training and development by the end of the year	1% of the wage bill spent on targeted training and development by the end of the year	1.45% of the wage bill spent on targeted training and development by the end of the year	1.80% of the salary bill spent on targeted training	Achieved	
# of Technical Intern's who require P1 and P2 to obtain qualifications	Intake of six technical students who require P1 and P2	n/a	n/a	Ten interns contracted for two years. One Completed P1& P2=10%	Seven Completed P1 & P2 = 77%. Two resigned.	Six New technical interns were appointed. The last intern from the previous 2-yr program has completed and obtained his qualification	Achieved	
Manage number of repeat audit findings	One (1) repeat external audit findings 2017/18	New				One repeat audit finding was received. Progress report approved by EXCO & ARC	Achieved	

During the year under review, the Company achieved 18 out of 19 performance targets, reasons for the non-achievement of the revenue year-on-year growth is encapsulated in the table above. The Company has planned to increase its effort in pursuing sales volumes through the implementation of a six level strategy.

Performance through the Capitals

The succeeding section provides the narrative of our performance through the Capitals:

Intellectual Capital

Broadband Infraco will be a high-performance organisation that maximises opportunities and strengths and increases benefit to stakeholders, employees and management due to its effective systems, processes, as well as its resources and organisational culture, through driving operational efficiency.

I-ECNS

Broadband Infraco SOC Ltd is a public Company founded in terms of the Broadband Infraco Act 33, 2007. We obtained the I-ECNS licence in 2009 in terms of the Electronic Communications Act No. 36 of 2005. We have also entered into an agreement with a third-party to make use of their ECS licence.

Policies, Procedures, and Processes

Our policies and procedures cover all aspects of the business to ensure that internal controls are efficient and adequate. There is an enterprise-wide policy register that is updated on a quarterly basis to assist in tracking policies that are due for review. There are 40 policies and procedures that have been approved. A review process is underway for four HR development policies that impact on imperatives, such as critical skills upgrading, management of high potential, career advancement, and knowledge management.

The Company has accentuated the building of effective internal business process capability and excellence. The Enterprise Process Operating Model **on page 34** depicts level 1 processes. The processes were cascaded to level 4 that details activities, key performance indicators and outputs in various business units. In the year under review, the focus was placed on end-to-end revenue management processes that span across the core operations of the Company, to customer billing and collection. It is envisaged that these processes and other end-to-end processes will be completed and implemented in the new financial year to eradicate any silos and improve collaboration within various divisions and departments.

Quality Assurance System

The Company was ISO 9001:2015 certified at the end of the 2017/18 financial year. The certificate was presented to all employees on 5 July 2018, who signed a pledge for continuous improvement. During the year under review, the Company went through external quality standards, audits to verify compliance with ISO 9001:2015 certification, and was found to be compliant. Whilst there were no repeat audit findings, standardisation of information at PoPs was recommended. Training on ISO 9001:2015 will commence in the new financial year.

Information Technology

We pride ourselves in strategically protecting our assets and systems that form the core of our values. It is our policy to ensure that:

- Information is protected against unauthorised access;
- Confidentiality of information is assured;
- Integrity of information is maintained;
- Regulation and legislative requirements are met;
- Business Continuity and Disaster Recovery Plans are maintained and tested; and
- Dissemination of private and confidential information is appropriately controlled in compliance with the applicable legislation.

Stringent financial resources remain a challenge for investment in tools for both reporting and efficiency. CRM tools are critical to accurate reporting, as well as tracking the revenue recognition processes. It is envisaged that the planned implementation of the OSS systems in the future will alleviate some of the pertinent issues.

Business Development

Our sales strategy is depicted in the figure below:

Figure 13: Sales Strategy

In 2018/19, business development work was focused on supporting the three strategy pillars: Building capability, Growing the business and Expanding the value that resulted in the following:

- Sell packet-based services: Sales capability has been built for selling complex IP based solutions. Testing for IP products has also been kick-started. The focus for the first quarter of the new financial year will be on driving these through a full product development cycle and launching it to the market. The IP product portfolio is crucial to our success in 2019/20.
- Prepare Network for high data capacity: The demand for high data capacity is growing and is largely driven by OTT players. The capacity for quick responsiveness is required as the market keeps demanding more.
- Sell to strengthen strategic advantage: Work on the Channel Partnership Programme has commenced well. It is critical to ensure the acquisition of valuable and known channel partners. The channel partnership program will also assist in leveraging the SA Connect deployment strategy in onboarding most of the Access Network Providers that will expand the regional footprint.

We have put together a framework to collaborate with Resellers/Channel Partners on a win-win basis. The objective is to intensify the sales capability and leverage on Channel partner resources in the form of a footprint, as well as sales resources for new customer acquisitions

Financial Capital

Broadband Infraco strives for long-term business sustainability, and is now equipped to make this a reality.

Financial Results

Amidst another tough economic year, we were able to improve our financial performance, increase cash resources and improve on the overall financial health of the Company.

Revenue

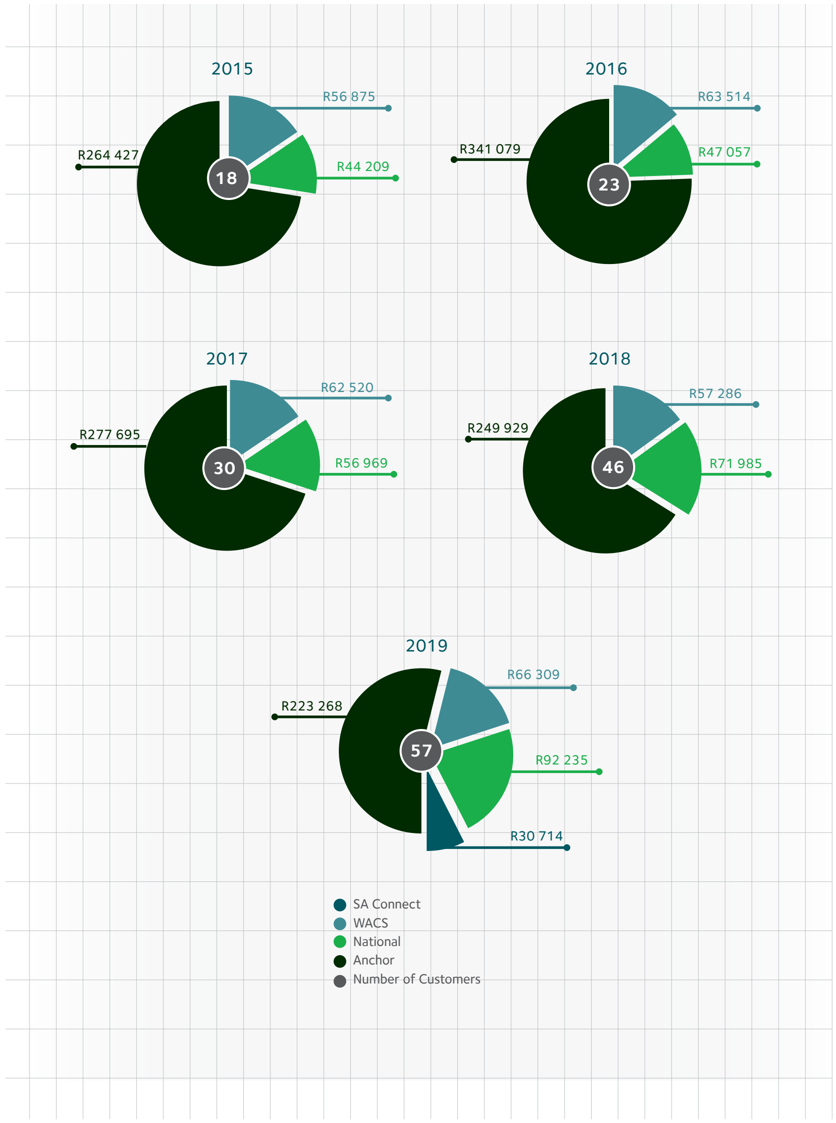


Figure 14: Revenue

Our customer base increased from 46 to 57. This, together with the increase of government sites connected under SA Connect and the mitigations that had been put in the place to improve sales, enabled the Company to increase its revenue by 9% from the 2017/18 financial year. The improvement in revenue is a reflection of the levelling of the downward trend in revenue that had been seen in the previous two financial years. Further to this, the capacitation of the sales environment resulted in the Company achieving more than R370 million in third-party sales for the year.

However, even with these improvements, the Company did not meet the set targets for revenue. The main contributors to the below target performance are that several budgeted links were terminated during April 2018, the delayed implementation and recognition of revenue on large contracts and the continued economic downturn experienced in the ICT market.

With improved sales, the future outlook is optimistic.

Expenses

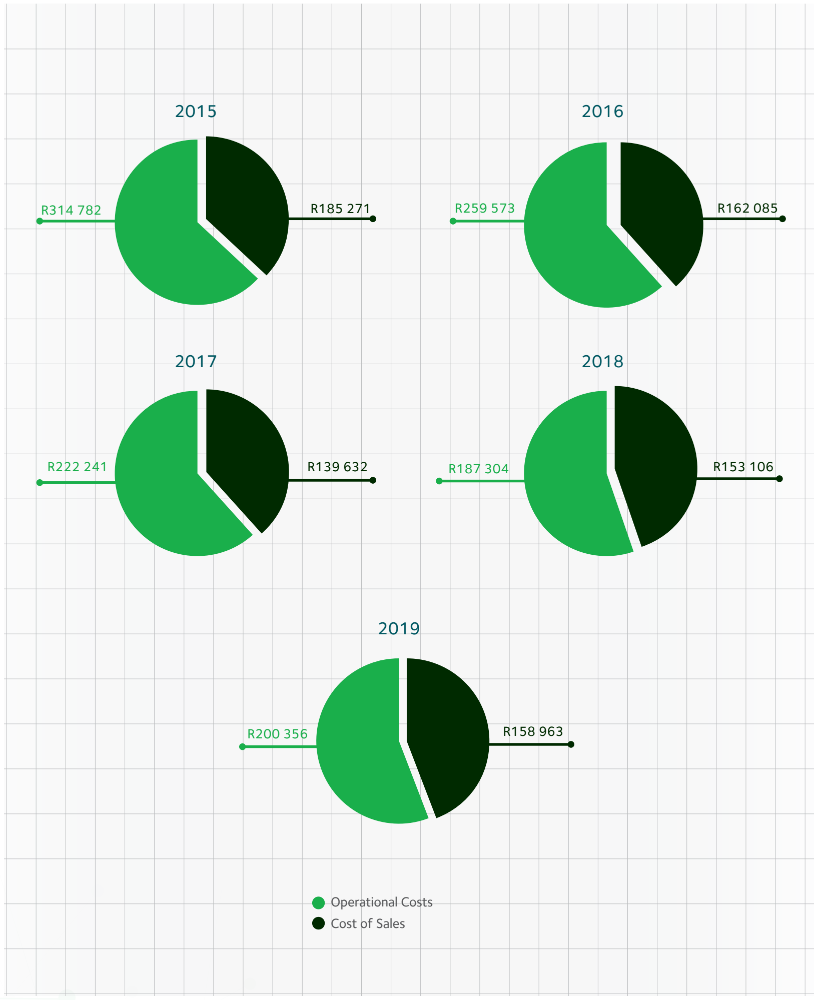


Figure 15: Expenses

Cost of sales

Cost of sales for the year is 3% (R6 million) less than the previous financial year. This is mainly due to the correction of maintenance costs previously set-off and partly by the increase in costs to provision the services for the sites, connected under SA Connect. We also leased more fibre and collocated in more sites to expand our network and to provision services to customers. Management is optimistic that cost of sales increases for the next financial year will be maintained at inflationary levels.

Operational Costs

Operational expenses (excluding depreciation) are 3% (R5 million) higher than at the end of the previous financial year. This is mainly as a result of inflationary increase. Management continued to drive cost optimisation is positive that overall profitability will improve over the next twenty-four months, as the sales pipeline starts to be achieved.

The Company remained cash positive with a positive Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) of R 154 million and a positive net inflow of cash resources from operations for the second consecutive year.

Other Income

Other income includes R 82.7 million free of charge mTera equipment, which was capitalised as part of the mTera upgrade. The OEM proposed an OTN overlay based on the mTera, due to the early phasing out of the hiT7100 range of OTN switches. The mTera assets were recognised in the asset register at market value. The capitalisation of this equipment resulted in an increase in other income in the Statement of Financial Performance and thus the overall improvement in the overall financial results of the Company.

The remaining R 0.9 million was received from the WACS consortium for the recovery of expenses incurred by staff members for attending the consortium's' meetings.

Capex

EBITDA and Capex

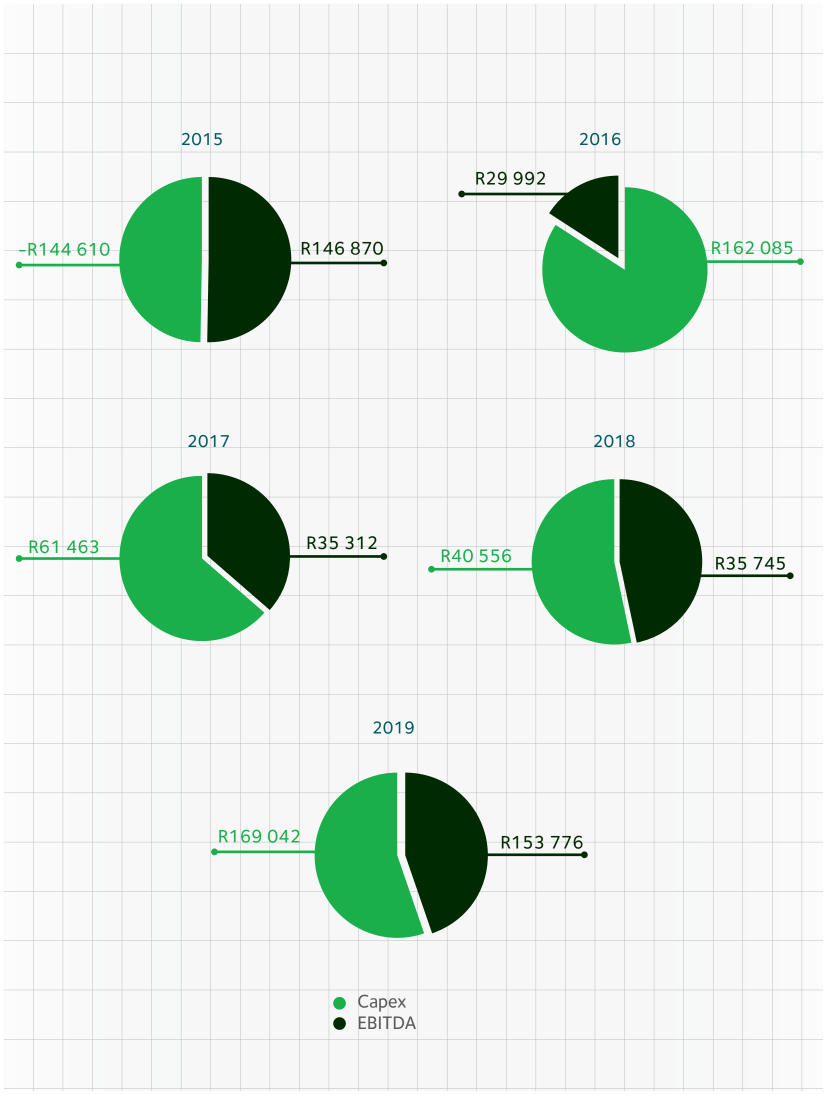


Figure 16: EBITDA & Capex

The total capital spent for the year to date was R171 million. This includes the capitalisation of the free of charge mTera equipment to improve the network. Most of the capital spent was for improving the network, provisioning of specific strategic customers and rolling out SA Connect.

Cash Flow

The Company remained cash positive throughout the financial year, with cash resources increasing from the year-end position.

The Company had a net inflow of cash resources from operations realised in the current financial year, together with a positive Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA). The Executive and Senior Management teams continue to work relentlessly to drive sales growth. This drive will ensure the sustainability of the Company and is depicted in the cash flow forecast for the next twelve months.

Shareholders' Loans

Significant progress was made during the last quarter of the reporting period to convert the Shareholders' loans into equity. However, the Shareholders' loans are still reflected under the non-current liabilities section of the statement of financial position as at 31 March 2019.

Funding

The Company continues to follow a funding strategy that is designed to cater for a transitioning business model that will enable sustainability. Our business model has transitioned from a single customer to one based on multiple customers, ranging from the private to the public sector. The Company's planned capital investment program is supportive of long-term financial sustainability, with four key priorities:

- Revenue protection projects;
- Revenue generating projects;
- Mandate and license obligations projects; and
- Essential asset upgrades and refurbishment projects.

Our funding strategy is to source funding from various financial institutions, selective Vendor Financing alternatives and other providers of medium-term debt financing. The financial institutions are targeted as a source of short-term cash and liquidity provisioning facilities and to support the Company with long-term debt capital. The medium-term funders will also be expected to support the Company with long-term debt capital, whereas vendors will be sought to support the medium and long-term balancing of operational costs with revenue through the financing of technology enhancements.

During the year under review, the Company secured the majority of the funding required for the roll-out of SA Connect from the Development Bank of Southern Africa (DBSA).

Forecast

This year saw a step change for the Company with improved revenue, good sales and positive sales pipeline and cost maintained at inflationary levels, and a much-improved financial performance. The future outlook of the Company based on these achievements, is positive.

The 2019/20 sales strategy will be more focused and supported by the resourcing and capacity to drive growth. We are also aware of critical constraints in the organisation and in that regard, will apply all six levers to ensure revenue targets are achieved as depicted below:

- Key accounts retention and growth: we will deploy protect strategies and strive to achieve the 'first of mind' supplier to our customers. Retention strategies will include frequent engagements with key customers, as well as service level management prioritization plans. It is critical to us to entrench strategic partnerships for deriving joint value with our customers.
- Acquisition: whilst acquisition is taking place at a rapid pace, the focus of the coming year will be on quality acquisitions which will yield high returns per customer. In addition, there will be a drive to create an acquisition culture with our key account managers.
- Strategic Partnerships: we will focus our initiatives in developing strategic partnerships defined by objectives. Strategic partnerships will serve the following purposes:
  - Joint go to market: the Sentech and SITA relationships remain core for all Government opportunities and the Company will assess the crucial partnerships per engagement, across the region.
  - Product Development: which will enhance our value proposition.
  - For positioning: 4IR presents many opportunities for positioning in various forms and forums. We will continue to be part of these engagements, positioning us for consideration in strategic country plans. SADC will remain a focus area, as it represents an advantage for opportunistic acquisitions. The sentiment has been that the customers require an alternative to the current incumbent. SADC also presents an opportunity for accessing the lucrative landlocked countries. WACS competitive pricing remains a focus and vigorous attention has been placed on revisiting the pricing models to remain competitive.
  - Leveraging SA Connect: with the roll-out of SA Connect, many opportunities are coming to the fore as more Government institutions are becoming aware of the value that SA Connect can provide in addressing their long existing rural connectivity issues. We will leverage these, together with the opportunities for fulfilling the service layer where a need arises.

- SADC Connectivity: SADC has proven to be a market that is showing growth as well as showing a keen interest for an alternative to the former incumbent's. We will retain the focus in the Region, as well as the instrumental contribution we make through the Regional Associations.

Product development: A demand for innovative products exists in the market and will be a focus for the coming fiscal year. The focus will be on developing value added services which will be a natural complement to the current infrastructure and connectivity products. We will continue to focus on key verticals that will achieve both the commercial and social benefits with key areas like health and education.

Manufactured Capital

Broadband Infraco will continue to develop and maintain quality connectivity infrastructure in South Africa and neighbouring countries. This entails expanding broadband infrastructure and maintaining a reliable network.

In pursuit of high network availability, the major focus for the technical environment was the increment of the network capacity, while simultaneously executing key customer projects, following the successful bids on some tenders.

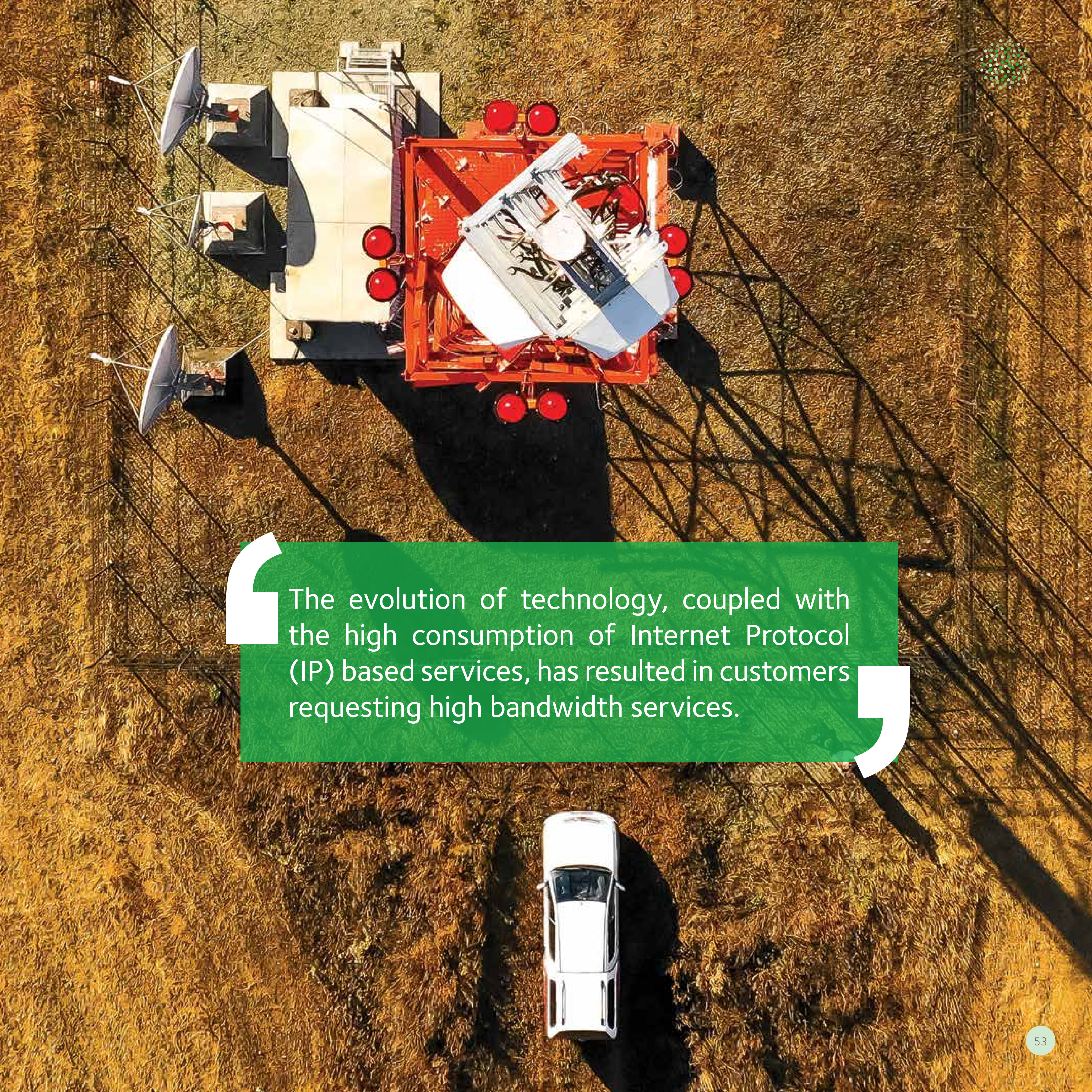
Good network performance is premised on a rigorous maintenance regime and a network with full redundancy and resiliency. To that end, the construction of redundant links is part of our strategy to improve network performance.

Products and Services

Our new products include the following:

- Internet Services; the introduction of internet services to the last tier customers like schools, clinics and hospitals, allows the Company to offer a one-stop-shop to provide consumable data connection services directly to the market. To date, this service had been rolled out to 18 schools and clinics and is closely monitored for performance at the Company's national operating centre (NOC). This service is ready for the market.

The evolution of technology, coupled with the high consumption of Internet Protocol (IP) based services, has resulted in customers requesting high bandwidth services. A project to implement the next generation dense wavelength division multiplex (DWDM) technology that can carry 100Gbps within the core network is close to completion. This will enable the Company to respond to customer requirements appropriately, and is complemented by native IP based technology which positions the Company competitively.



> The evolution of technology, coupled with the high consumption of Internet Protocol (IP) based services, has resulted in customers requesting high bandwidth services.

The table below indicates that there has been a shift in TDM based services to IP based services and illustrates the product performance for four financial years:

Table 4 Product Performance

Service / Bandwidth	2015/16		2016/17		2017/18		2018/19	
	Quantity	% of total	Quantity	% of total	Quantity	% of total	Quantity	% of total
STM-1	148	8%	100	3%			0	0%
STM-4	144	8%	204	7%			16	0%
STM-16	368	20%	448	16%	192	13%	32	1%
STM-64	1 089	59%	1 606	56%	896	59%	1728	33%
10-100 Mbps	19	1%	26	1%	19	1%	26	1%
200 Mbps	6	0,3%	9	0,3%	13	1%	16	0%
300 - 400 Mbps	3	0,2%	5	0,2%	6	0,4%	15	0%
500-700Mbps					28	2%	24	0%
1 Gbps	20	1%	26	1%	147	10%	329	6%
5 Gbps					32	2%	105	2%
40 Gbps			258	9%			0	0%
100 Gbps							2560	50%
International Bandwidth	64	3%	194	7%	192	13%	320	6%
Total	**1 861**	**100%**	**2 876**	**100%**	**1 525**	**100%**	**5 171**	**100%**

The market's increasing adoption of cloud services offers an opportunity for increasing our services.

Network Build

There were various projects that were implemented in the year under review with a focus on building or improving certain sections of the network to enable customer services. Network refurbishment requiring external resources was limited due to financial constraints. One of the major projects for the year was the network transmission technology capacity based on the MTera technology upgrade. This project was successfully concluded with the final route from Durban to PE.

Another major project to be undertaken (and still in progress) is the SA Connect project, with a total of 313 facilities installed for Phase 1A of the project and 258 of those sites successfully tested across the nominated 8 districts to date. The contractors that have underperformed are strictly and tightly managed in accordance with the signed contracts.

SA Connect Phase 1B preparatory work for the 400 facilities has been done in all districts, including site surveys and designs.

The Botswana Secondary link to Kopfontein is currently under construction with challenges being experienced on the N4 and R49 (Rustenburg-Zeerust-Kopfontein) sections. Wayleave approvals are taking too long. Site works are expected to start before the end of April 2020. Meanwhile, a temporary solution using the Ramatlabama link was successfully tested with a back-up link via Beitbridge being commissioned.

The Beitbridge site relocation project is in progress and the fibre link is in place. Various other customer projects have been provisioned successfully and in record time. The 1.2Tb/s network capacity upgrade project has been designed and is going through the approval processes for implementation in the financial year 2019/20.
Discussions, design work, scope definition and funding engagements for several other major projects are in progress in order to cater for customer requirements and potential business opportunities, including Northern Ring Route 7 upgrade, Krugersdorp – Swartruggens Fibre Build, IP/MPLS network, ASON, Customer 1 NGN upgrade, and Customer 79 Sites Connectivity.

The graphs below provide a status overview of the rest of the projects being undertaken as a percentage of what has been done and spent against the total planned quantity and budget per project, respectively.

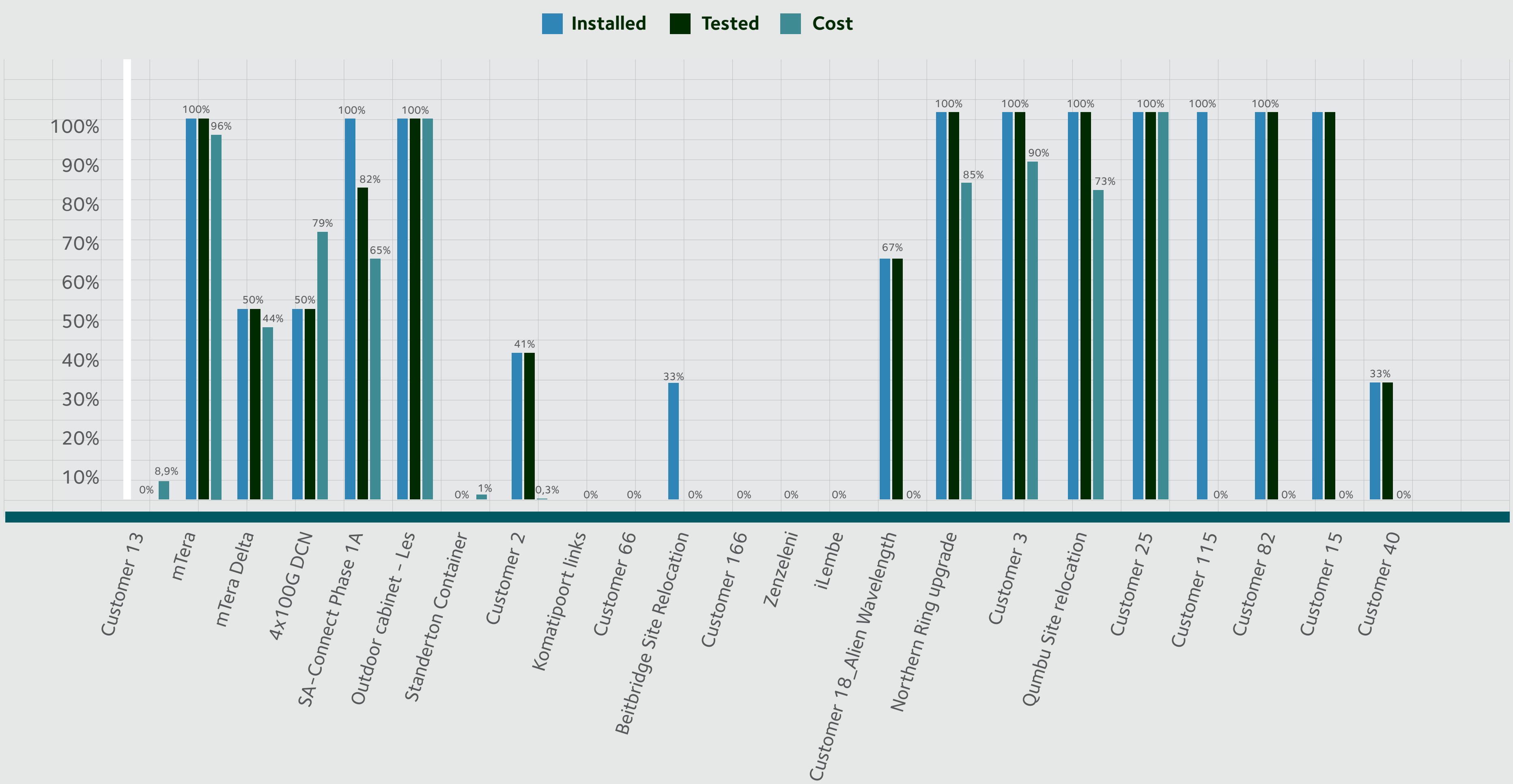


Figure 17: Executed Projects

For the financial year 2019/20, there are more than 25 additional projects planned for implementation, ranging from customer provision projects, network extension/upgrade, special projects, major projects, as well as asset perseveration projects. The successful execution of some of these projects may be dependent on funding availability.

SA Connect Project

The government of South Africa has determined that in the current Fourth Industrial Revolution (4IR), no one person should be left behind. The connection of people in remote areas is implemented as part of the National Development Plan (NDP), with the project being named South Africa Connect (SA Connect). This project ensures that government facilities such as schools, clinics, hospitals, post offices, Thusong Centres and police stations, are connected to the internet for the purpose of accessing government services, as well as general public empowerment. This connectivity will bring with it the empowerment of citizens in remote areas, in preparation for the participation in the 4IR economy and the age of the Internet of Things (IoT) that is the digital economy in totality.

The table below shows the progress of the overall SA Connect project for the two phases:

Table 5 SA Connect Project

	Phase 1A			Phase 1B	
District	Planned Sites	Access Network Installed	End-to-end Testing	Planned Sites	Comment
Dr. K Kaunda	32	32	32	69	Phase 1A: 32 Sites are handed over. Phase 1B: 69 Sites are contracted.
Gert Sibande	54	54	54	34	Phase 1A: 54 Sites are handed over. Phase 1B: Contracting in progress.
OR Tambo	93	93	46	86	Phase 1A: Notice of breach is issued to ANP. Phase 1B: Surveys and contracts are completed.
Pixley ka Seme	20	20	20	34	Phase 1A: 20 Sites are handed over. Phase 1B: Surveys and contracts are completed.
Thabo Mofutsanyane	39	39	39	47	Phase 1A: 39 Sites are handed over. Phase 1B: Surveys and contracts are completed.
uMgungundlovu	34	34	29	42	Phase 1A: Testing of 5 sites is in progress. Phase 1B: Surveys and contracts are completed.
uMzinyathi	22	22	21	13	Phase 1A: 1 Site testing is in progress. Phase 1B: SCM processes are in progress.
Vhembe	19	19	17	75	Phase 1A: 2 Sites testing is in progress. Phase 1B: Surveys and contracts are completed.
Total	**313**	**313**	**258**	**400**	

Network Service Availability

The network service level availability is a measure of how the network is performing and its level of availability to the customer at all times. This is affected by many factors, including the network incident rate. The network incident rate is the measure or record of all network affecting incidents on a month-to-month and quarterly basis, and serves as a network reliability indicator.

The 2018/19 annual failure distribution per domain was as follows:

- Fibre Optic Cable contributed: 71,5%
- Terminal Equipment-related incidents accounted for 12,7%
- Power related incidents (facilities) contributed: 9,1%
- Clear While Localizing (CWL) accounted for 6,7%

The risk to network fault incidents due to the continued increased AC supply interruptions from suppliers remained high. This affected the smaller municipalities in remote areas negatively because of increased expenditure on operational and maintenance costs, due to the long travel distances, shortening of asset lifespan and unreliability.

Vandalism remains the single most common root cause of all network incidents. The Northern Ring faced an increased number of network fault incidents in the FY2018/19, which were caused by vandalism, veld fires, rail maintenance and private landowners excavating to install new water pipes for irrigation systems very close to our directly buried fibre optic cables. This has resulted in customers being affected and therefore negatively impacting the overall service availability. In order to protect the Company's assets, the security of all sites will be improved during the 2019/20 financial year.

Other safety mechanisms included replacing batteries in 27 sites that were regularly affected by AC power supply interruptions to improve network reliability. This reduced the financial capital, however our manufactured capital increased through improved network reliability.

A total of 600 network incidents (network failures) were reported during 2018/19, which was lower than the 688 which were reported in the 2017/18 financial year, as indicated below:

5-year network fault incident rate comparison

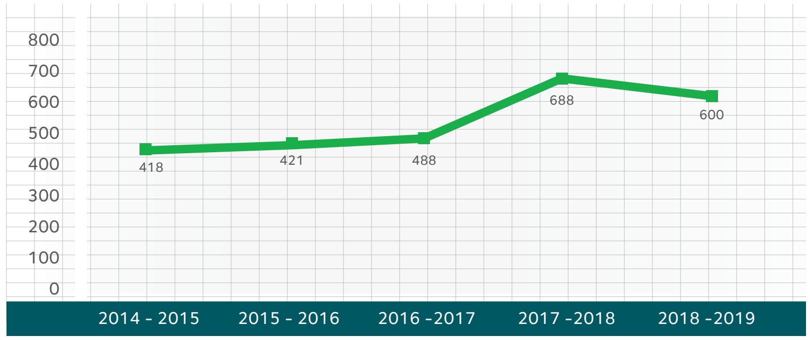


Figure 18: Network Service Availability

Mean Time to Restore

The mean time to restore (MTTR) network fault, is a measure of the average total time it takes to restore a network fault incident, which includes administrative delay (fault logging), logistic delay and actual fault repair time. Service restoration time, is recorded as the fault incident end time. In a sense, the MTTR measures the combined effectiveness of network management as well as the ability, knowledge, and agility to restore customer services after a network incident occurs. The lower the MTTR, the better the restoration of customer services.

The MTTR for 2018/19 remained within the target of seven hours fifty minutes (07.3) at 05:54 (5.90 hours), which is slightly higher than the previous year of 05:47 (5.78 hours), 2017/18. The figure below summarises the year on year MTTR comparison over five years:

YoY MTTR Profile

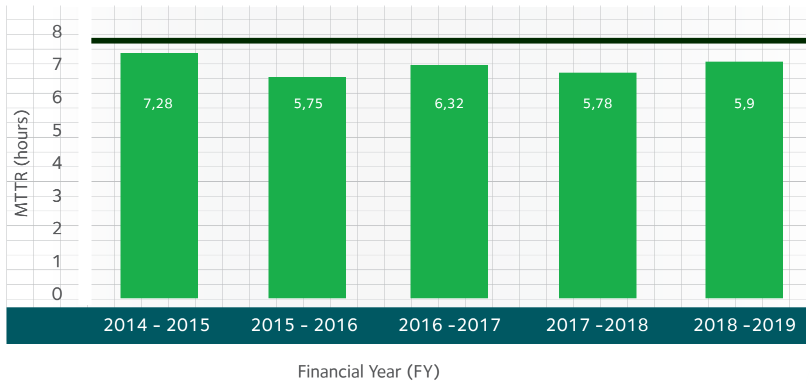


Figure 19: Mean time to restore (MTTR)

International Services (Cross-border link performance)

The cross-border routes achieved a combined network availability of 99.51% in 2018/19 compared to 99.59% achievement in 2017/18, therefore exceeding the minimum combined the availability of 99.00%.

The figure below reflects the individual cross-border route performance for the past three years. There was an improvement in certain routes, while in others there was a slight deterioration. This underscores the need to build redundant links to all border posts and plans are already in place to build redundancies for each of the border links in order to increase the network performance. The Botswana network build is already in progress.

Cross-boader Route Availability (YoY Comparison)

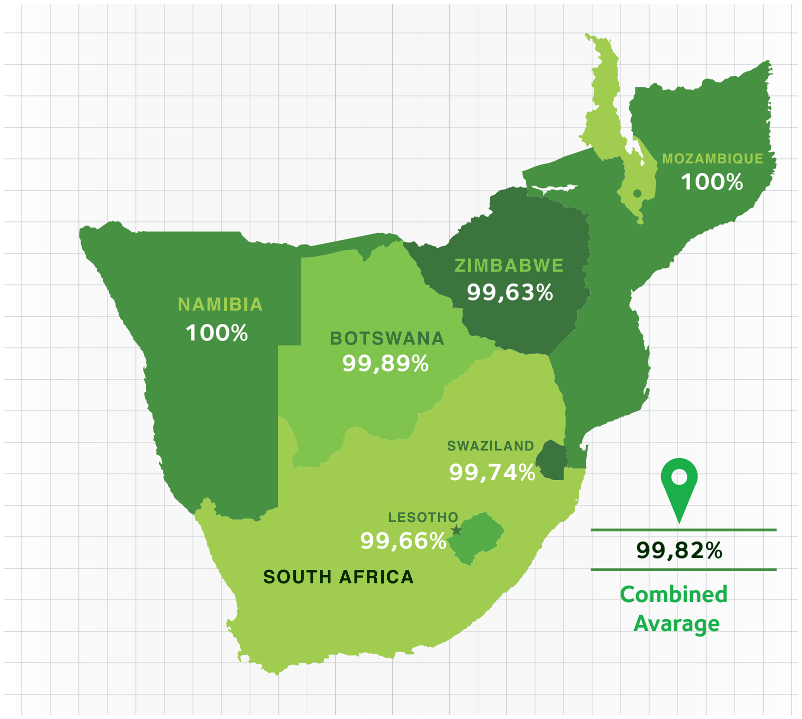


Figure 20: Cross Border Route Availability

Network Asset Management

Our operational Points of Presence (PoP) around the country have decreased from 156 to 147 in comparison with the previous financial year, due the decommissioning of ten microwave sites and the addition of one new site at our offices in Woodmead. The microwave sites previously served as the transport medium to provision STM-1 services. These services were migrated to the fibre network after the network footprint was expanded.

The table below indicates the number of operational sites per ownership:

Table 6 Network Operational Sites

Site Description	Number	3rd Party Access	
		Yes	No *
Infraco-owned LD sites	57	56	1
SOC co-location sites	16	10	6
SOC site sharing sites	48	43	5
SOC microwave sites	0	0	0
Customer PoPs	6	0	6
Open Access PoPs	10	10	0
Private lease	8	8	0
Private co-location	2	0	2
Total Sites	**147**	**127**	**20**

Fibre optic network snapshot

Our fibre optic network across the country is measured in kilometres of the fibre optic cable, added to the network over a period of time. The fibre optic distance added, could be in a form of new fibre build (owned), or leased from third parties. The total length of fibre kilometre for the network in the financial year 2018/2019 remained the same at 14 958km, as in the previous financial year.

The breakdown in the table below distinguishes between the different categories, that is, type of fibre optic cable, service providers, owned, leased and right of use (ROU).

Table 7 Fibre Network

Servitude owner	Infraco status	OPGW	ADSS	ADLASH	U/G	Total
Eskom	Owned	0	1 153	3 107	40	4 300
	Leased	488	0	33	0	521
	ROU	687	0	0	0	687
TFR	Owned	0	873	0	845	1 718
	Leased	0	5479	0	0	5 479
Third party fibre	Leased	0	497	32	0	529
Other	Owned	0	344	0	135	479
DFA	Leased	0	0	0	1 245	1 245
Total	Owned	0	2 370	3 107	1020	6497
Total	Leased	488	5 976	65	1 245	7 774
Total	ROU	687	0	0	0	687
Total Fibre		1 175	8 346	3 172	2 265	14 958

Due to financial constraints, we were not able to expand the fibre network. However, due to the planned projects for border redundancy and the SA Connect Phase 1 project, it is forecasted that more fibre kilometres will be added in the next financial year.

Provincial infrastructure breakdown

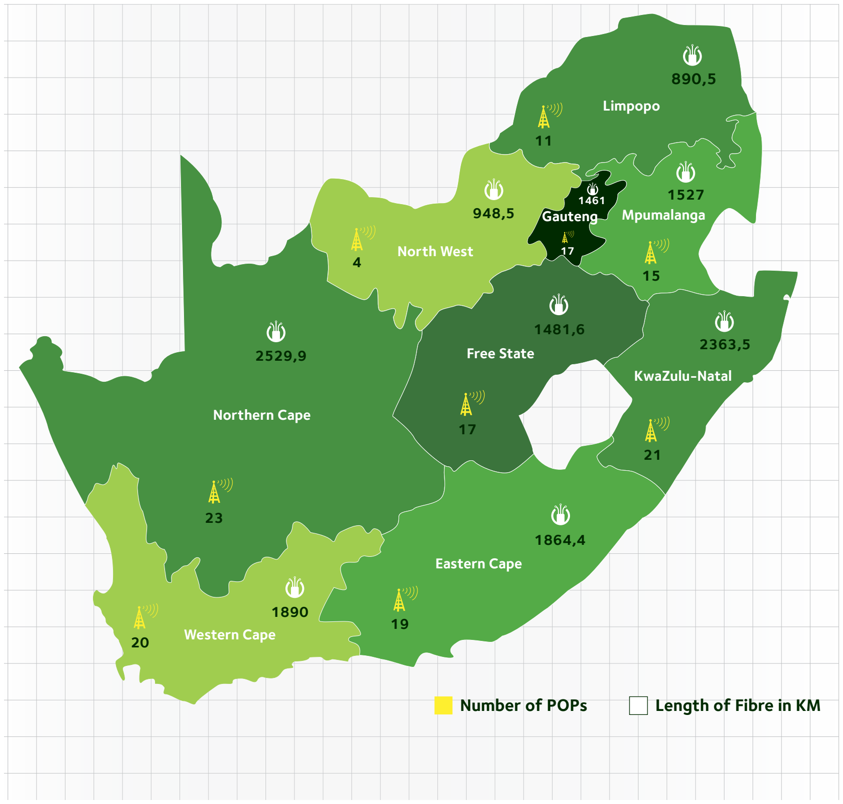


Figure 21: PoP and Fibre per Province

Highlights for the financial year under review

People matters:

- The commitment by employees to deliver SA Connect projects, despite the strain on internal resources;
- Internal staff were provided with training and development in respect of the newly deployed mTera technology in all the regional offices;
- Four interns were promoted to the Technicians-in-Training Programme; and
- Twenty technicians attended the battery and 14kW rectifier systems training.

Technical matters:

- Capacity upgrades on 100G channels from Isando to Beitbridge were successfully implemented in good time;
- Battery replacement projects were completed at 27 sites;
- 8 X 10G customer services were successfully handed over between Isando and Rondebosch at the required date;
- The protection route on mTera from IDC and RDC was implemented;
- 1 x 100G Alien Wavelength for proof of concept was tested successfully.

Low lights for the financial year under review

- Multiple break-ins at various sites affecting customer services negatively,
- The isolation of the Bloemfontein PoP site in June 2018, which caused impacted on customers services. The incident was caused by a damaged AC supply cable and a fixed standby generator that failed to kick in when AC supply failed.
- Load shedding affecting many sites and battery standby life; and
- QMS audits were conducted at eight sites located in the Gauteng region and non-conformances were reported. Steps to rectify non-conformances, are being implemented.

Forecasts

We have planned to implement SA Connect Phase 1b project, that will connect 400 government sites to the Broadband Infraco network.

The plans for the financial year 2019/20, include more than 25 additional projects which are planned for implementation, ranging from customer provision projects, network extension/upgrade, and the 1.2Tb/s network capacity upgrade project.

In order to address the impact of vandalism in the network, the existing and previously approved site build specification is under review to upgrade security at the most vulnerable sites, nationally. The efforts to improve network reliability to lower the failure rate, includes:

- Planned maintenance to effect network defect and permanent repairs;
- Scheduling routine preventative maintenance (PRM) activities twice a year;
- Confirming battery standby capacity.

Social and Relationship Capital

Broadband Infraco endeavours to strengthen relations with all stakeholders

Shareholder Relationship

Broadband infraco does not operate in isolation. Our ability to deliver value depends on the contribution and activities in consultation with our Shareholders. We strive to create a corporate culture that fosters collective responsibility and shared accountability for the Shareholders to manage risk and reputation, with the key objective of building strong relationships. Engagement with Shareholders is ongoing and takes on a multilateral basis that occurs through various platforms. We strive to provide useful and frequent disclosure to our Shareholders, by providing formal reports on a quarterly basis. Further to this, Shareholder meetings take place monthly and are attended by officials from the National Treasury, where discussions centre around the Company's performance and financial well-being. The platform serves to provide key information, and valuable inputs are received from Shareholders at these engagements.

Parliamentary Engagements

The Chairperson of the Board and management attend scheduled meetings of the Portfolio Committee on Telecommunications and Postal Services. In the year under review, they made presentations to the committee on the Company's Annual Performance Plan (APP), Corporate Plan and quarterly performance. Representatives of the Company also attended meetings in support of several submissions that were made by the major Shareholder department to the Portfolio Committee.

Brand-building events

The Company leverages on industry engagements to deliver brand-building events through exhibitions, customers networking and presentations. The platforms range from ICT Conferences, Ministerial, Provincial, Municipal, SADC and SATA engagements. The table below reflects the events for the year under review:

Table 8 External Events

Date	Event	Purpose
2 – 3 April 2018	SMMEs in ICT Expo	Brand awareness levels in the ICT space to appeal to service providers in the SMME environment.
11 July 2018	My Broadband Fibre Conference	To increase brand awareness levels and to gain insight into the latest information on fibre networks and supporting broadband networks from the industry
25 -27 July 2018	SATA SNOSA Conference	To host Southern African Regional Service and Network Operations (SNOSA) and increase brand visibility in the southern region.
21-23 August 2018	Annual iWeek Conference	To increase brand awareness levels and gain access to smaller ISPs for sales opportunities of smaller capacities.
28 August 2018	Ministerial Event: Impendle Wi-Fi launch	To launch SA Connect project to that roll out broadband connectivity to the community.
10 – 15 Set 2018	ITU Summit, BRICS Ministers of Communications meeting	To assist and support Shareholder 's with skilled employees and mange good relations with the Shareholder.
18 October 2018	MyBroadband Conference	To increase brand awareness and provide a networking platform for Key Accounts Managers.
13-15 Nov 2018	AfriCom Conference	To increase brand visibility. To network with local and international peers. To acquire information on new products in the market. To meet with existing and potential clients.
20 - 22 Nov 2018	ICT Summit	Increase brand visibility network with authorities in the Eastern Cape province. Meet with existing and potential customers.
23 - 24 January 2019	Back to school campaigns	To hand over internet services as part of the SA connect, television sets, and the Set Top to two high school and a local clinic in the Vhembe district. Increase brand awareness levels.

Customer Engagement

Customer centricity forms an integral part of our revised sales strategy, which encourages remarkable customer experience as a valuate, when dealing with our stakeholders. We have developed processes that ensure a holistic customer experience, as opposed to an interaction that is only based on product and price, thereby differentiating our brand from competitors. Our Key Account Managers provide weekly and calendar month customer engagement plans and reports, that have resulted in customer retention and an increase in customer numbers on **page 59.**

We remain attuned to the changing landscape of our commercial customers, we have taken cognisance of the following as outlined in the figure below:

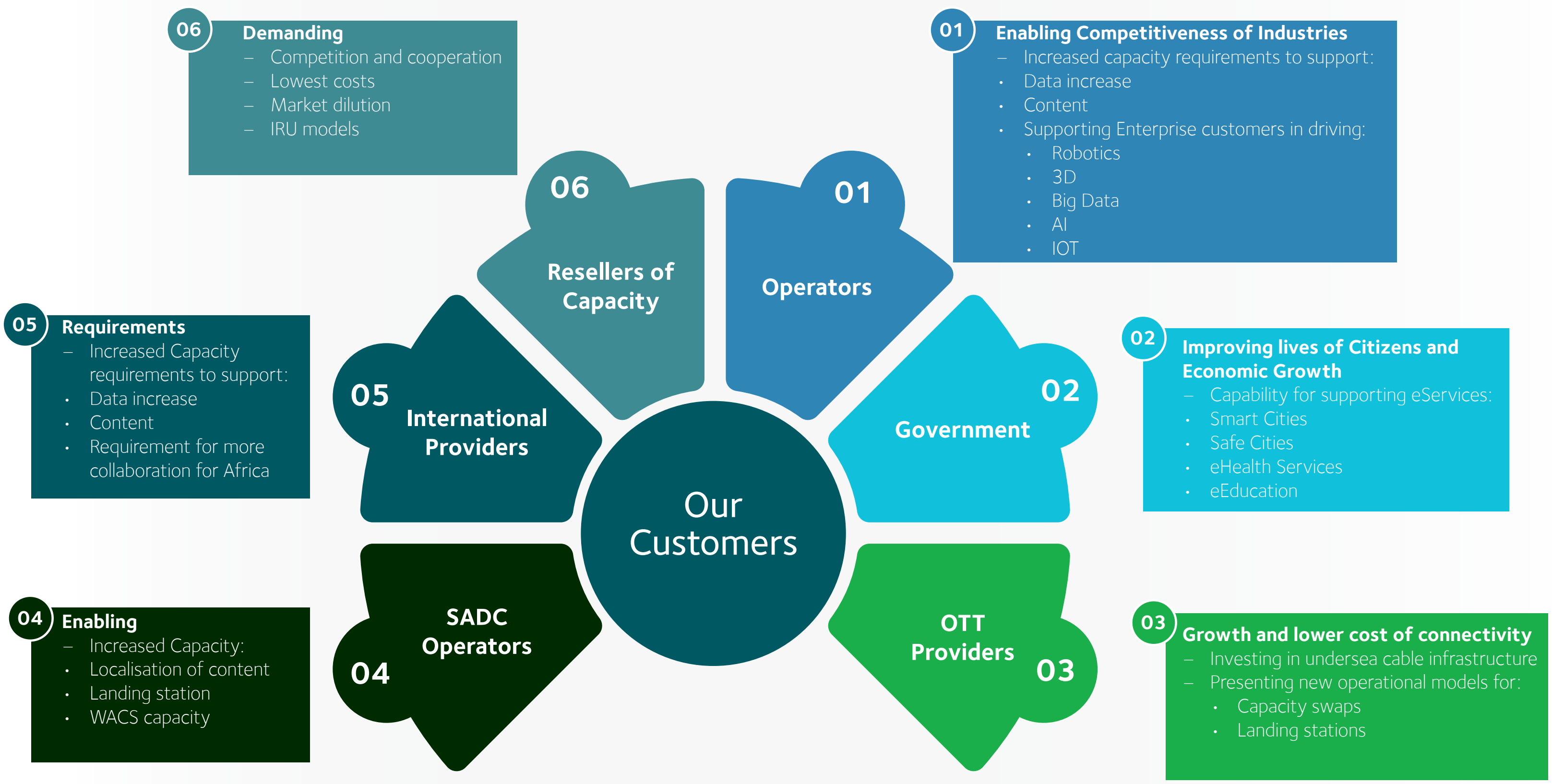


Figure 22: Customer requirements

These customer requirements will inform our future product and service offerings.

Employee Relations

Our employees are part of our strategic stakeholders that contribute immensely to the Company's intellectual and manufactured capitals. There has been an escalated effort in keeping employees updated and involved in matters regarding the Company's deliverables. To clarify how employees can contribute to achieving the Company's strategic objectives, the executive management team committed to sharing regular updates with them and creating more platforms where Company information can be shared.

The executive management team hosted four Town Talk sessions and regional office visits to meet with employees and to keep them abreast on matters including, Company performance, Company-wide projects, such as SA Connect, SOC Rationalisation, 4IR and Shareholder updates, among others. These meetings were highly interactive and assisted greatly in closing gaps on issues pertaining to the Company.

The CEO hosted the inaugural Employees Recognition and Rewards Awards, which was held to celebrate and reward excellence and commitment by employees in operational deliverables over the past financial year.

The Company also took advantage of the benefits of technology, such as social media platforms, to ensure involvement and inclusivity of employees, regardless of their geographic positioning. This was done by means of social media competitions that were implemented.

To foster a participative leadership style and culture of fairness and transparency, several management-employee committees, listed below, were reinvigorated:

- Employment Equity Committee;
- Skills Development Committee;
- Job Evaluation and Grading Committee;
- Pension Fund Committee;
- Senior Management Forum; and
- Organised Labour and Management.

Grievances

Three grievances were received and were all resolved as depicted in the table below:

Job grade	Nature of Grievance	Date Lodged	Date Finalised	Comment
C3	Conditions of service (Sunday and holiday allowance)	19 May 2018	29 March 2019	A report was issued from an independent service provider, outlining solutions to the grievance at hand. The matter was resolved.
C3	Conditions of service (Night Shift Allowance)	26 Feb 2018	29 March 2019	A report was issued from an independent service provider, outlining solutions to the grievance at hand. The matter was resolved.
D3	Two decimal figures performance score, after moderation	16 July 2018	13 Sept 2018	The matter was resolved in line with a section of the grievance procedure.

Misconduct cases

Three employees were charged with misconduct, of which one was gross misconduct, as depicted in the table below:

Job grade	Nature of misconduct	Date initiated	Date Finalised	Sanction	Suspended Yes/No	Comments
B5	Gross misconduct	03 Aug 2018	06 Nov 2018	None	Yes	The employee resigned during the hearing.
E1	Misconduct	07 Aug 2018	07 Aug 2018	Written warning	No	Valid for six months.
C4	Misconduct	13 Aug 2018	13 Aug 2018	Written warning	No	Valid for six months.

Disputes' cases

Disputing party	Nature of dispute	Date Lodged	Date Finalized	Finding/Outcome
An employee in the CMSO Division	Constructive dismissal	30 July 2018	20 August 2018	The 90-day period in terms of CCMA rules for lodging an arbitration dispute has expired. Therefore, the matter will be deemed closed on the Company, records, unless notification is received from the CCMA to resurrect the matter.
ICTU	Organisational Rights	19 Feb 2019	Pending	The union is expected to withdraw the lodged dispute, as per the agreement in the meeting held on 07 March 2019.

Organised Labour

Substantive negotiations in the 2018/19 financial year with Communications Workers Union (CWU) kicked off on 23 April 2018, by reconciling outstanding issues from the previous financial year. Substantive negotiation training took place on 11 May 2018, to ensure that negotiations are not unnecessarily protracted or deadlocked, by providing parties with the necessary engagement skills. The negotiations were concluded on 24 July 2018 without disputes and the implementation was backdated to 1 April 2018.

Organisational Rights

The Company was approached by a new Trade Union, Information Communication Technology (ICTU), seeking organisational rights in terms of the Labour Relations Act (LRA) on 24 October 2018. Various meetings were held with ICTU to ensure a transitioning process in terms of granting organisational rights, which were granted on 21 February 2019. All parties will be engaging in the Recognition and Collective Bargaining Agreement in the new financial year 2019/20, to formalise the relationship.

Economic Transformation

The financial year has been a challenging year, wherein costs continued to be contained, thus limiting the procurement spend. There were, however, opportunities that enabled us to formulate and execute a procurement strategy that saw us meet all the set transformation targets for the year.

The strategy was focused on Enterprise and Supplier Development and Broad-Based Black Economic Empowerment. The impact of this was that spending was channelled to empower the previously disadvantaged groups and the development of local suppliers to support localisation and industrialisation, thus creating indirect jobs and reducing the unemployment rate.

Notwithstanding these challenges, we exceeded all our targets, the yielded results are indicated in the table below:

Table 9 B-BBEE Procurement Results

Areas	Target	Actual
B-BBEE Spent		
B-BBEE Multiplier	70%	104%
BOE	40%	49%
BWO	10%	44%
PWD	1%	2%
BYO	5%	8%

B-BBEE Level

During the year under review, an independent and impartial accreditation process was completed with the objective to measure the Company against the Codes of Good Practice on Broad-Based Black Economic Empowerment.

The focus, going forward, is to strive to achieve maximum procurement spend on designated groups and Small Medium and Micro Enterprises (SMMEs), which will then contribute towards improving our B-BBEE status.

Corporate Social Investment

Our Corporate Social Investment (CSI) initiatives focus on ICT access for education through the adoption of schools in areas in which the Company operates, and supports the development of sustainable communities.

The adoption contract period for one of the adopted schools, Seshigo High school, reached expiration at the end of March 2018. The Company will, however, continue with the maintenance of all the equipment bought for the school. This includes, the internet services, telematics equipment, iBoxes, computer tablets, and PCs.

In the reporting period, we adopted a new School in the North West, Borakanelo Secondary, where we will serve to replicate the program implemented at Seshigo High School. We partnered with Reutech Solutions to renovate the computer lab and provided furniture and equipment, and installed the telematics for distance learning and internet connectivity. Ten educators were trained in the use of the telematics which will improve access to information and e-learning. In the 2019/20 financial year, we plan to provide cyber-security and training.

The current CSI program is under review, to have a greater impact and to further support the SA Connect initiatives. This is in light of the support that can be garnered around contributors to the SA Connect, as an example, the continuous support that can be provided by SITA as well as training machines. This is to ensure that there is continuity in the efforts being made to uplift communities.

Employee Volunteerism

Our employees rendered services, voluntarily, at Sunshine Pre-school in Diepsloot on Mandela Day. The services included assisting with chores such as cleaning and preparing meals and planting a vegetable garden. They also, handed out tangible gifts to staff.

Company Reputation

There has notably been increased activity in terms of the Company's involvement in the media space. This is an indication of a renewed strengthening in our brand perception, in becoming a sought after thought leader.

Social Media

Our social media platforms were implemented during the financial year under review, to ensure enhanced brand exposure and awareness. The platforms have over the months grown in its following and engagement, enabling the Company the independence to cover and publicise their own events. The recent demarcation and targeted use of the platforms continue to ensure that we focus our communication efforts, and, ultimately engage relevant stakeholders per subject and per platform.

The focus has been created in using social media intensively, as most of our customer base is present on these platforms. The platforms exist to:

- Effectively reach an extended audience;
- Keeping customers up to date on Company developments;
- As a means of informing and creating interest in the brand; and
- As a form of positioning our brand in thought leadership platforms.

This new approach has resulted in open, interactive relationships being formed and a bottom-up approach to business, being introduced. It has also influenced the communication climate by creating ambassadors and a sense of ownership and responsibility by employees.

The Company has also been assured the opportunity and relevance of discussing topical issues and thereby, propelling our brand on pertinent matters in the industry. There is also an intentional effort in profiling Broadband Infraco as a 'go to' organisation on thought leadership and thereby creating a position for the Company on all ICT related matters, especially in Government.

The last part of the year saw our Company being featured in publications targeted at the Government Departments and include the following topics:

- The Public Technologist: creating positioning for Smart Cities, a positioning targeted at Local Government (municipalities, metros, and districts).
- The Public Sector Priorities: creating positioning of SA Connect as a conduit for achieving connectivity for all.

The Company has received positive feedback on these initiatives, which have opened up numerous opportunities for further engagements.

There were also internal competitions to encourage employees to follow the Company on its platforms, so as to further create brand ambassadors and keep them abreast of developments on Company activities. This, too, served to increase the number of followers, in giving access to Company activities to all employees, across all the regions. To keep abreast of our exciting developments, please follow us on social media:

Twitter:
@bbinfraco

Facebook:
Broadband Infraco

Instagram:
bbinfraco

LinkedIn:
Company/Broadband Infraco

Human Capital

Broadband Infraco will be a highly productive organisation that maximises opportunities and strengthen employees and management, through effective human resource management systems and organisational culture.

The main challenge for human capital management over a period of time, has been the effective management of employment costs to mitigate the risk of negatively impacting on the financial position of the Company. The HR function has had to balance the requirements for human resources for the planned expansion of the scope of business and a turn-around strategy against a reduced income.

This called for vigilant monitoring of employment costs, which includes:

- the alignment of variable pay to legislative provisions;
- benchmarking of conditions of service in the market;
- adopting a cost-efficiency ratio that will red-flag any excessive costs timeously; and
- inculcating a culture of optimum utilisation of human resources at all levels in the Company.

Organisational Development

The review and enhancement of the organisational structure is a key aspect of enabling optimum business performance. There is an ongoing realignment of the content of jobs, to the strategic objectives of the organisation. To achieve this, the competence requirements and key performance areas are modified for job enrichment, to stimulate motivation and levels application to achieve desired performance levels and ensure value add and meaningful contribution, per position.

During the 2018/19 financial year, an emphasis was placed on strengthening the sales environment, to build the capability for achieving the planned sales targets and budgeted revenue. The redesign of the structure also entailed the consolidation, of related functions into the same area for improved team work and sharing of responsibilities, and accountability for the divisional goals.

The Technical environment also had to be capacitated for the execution of projects of national strategic significance and strategic operational functions in areas such as the Network Operations Centre, Operations and Maintenance and Capital Programme Management units. The exponential growth in the number of customers and the nomination for the Company as a lead agent for the roll out of the government's SA Connect project, required building, buying and in some instances, borrowing of expertise for execution capabilities.

Employee Movement

The headcount statistics indicate a trend where, due to natural attrition, permanent staff numbers have decreased from 175 in 2014/15 to 140 in the year under review also during the year under review, a total of 27 appointments were made, which comprises 13 permanent external appointments, ten internal promotions, and four contract employees. The table below indicates the head count per division:

Table 11 Head Count

Division	Top Management/ Executives	Senior Management	Professionally Qualified & Experienced Specialists/ mid-Management	Jnr Management and Skilled	Semi-Skilled	Unskilled & defined decision-making	Active	Vacant	Total Employees (Permanent)
CEO'S Office	1	0	1	1	0	0	3	0	3
CFO	1	3	10	6	0	0	20	4	24
CMSO	1	6	2	1	0	0	10	2	12
CRA	1	0	5	1	0	0	7	0	7
CTO	1	4	27	56	4	0	92	5	97
HR	1	1	1	1	1	0	5	4	9
Secretariat	1	0	1	1	0	0	3	0	3
Total	**7**	**14**	**47**	**67**	**5**	**0**	**140**	**15**	**155**

Employment Equity

The Company has not had sufficient opportunity to achieve its employment equity demographic profile targets,despite a strong desire and concerted effort to play a meaningful role in this regard. Some of the imperatives to drive this objective included:

- The increase in the number of female interns in the technical division in an effort to improve the overall gender profile of the organisation, particularly those with technical skills.
- A breakdown of the Company demographic targets by race, gender, and Persons with Disabilities (PwD) was shared with divisional heads, which was intended to commit them to contribute towards the planned targets. It lacked effect, as a result of the moratorium on the filling of vacancies.
- In ensuring that the Employment Equity Committee has advocacy in relation to issues of equity in the organisation it represents reports directly to the Executive Management and the Human Resources and Remuneration Committee (HRRC).

The overall gender split is 35% females, which decreased from the previous year of 38%, whilst males increased from 62% to 65%, as indicated in the table below:

Table 12 Employment Equity

EMPLOYMENT EQUITY DEMOGRAPHICS													
Job Levels	**Male**				**Female**				**Foreign Nationals**		**Sub Totals**		**Total**
	A	C	I	W	A	C	I	W	M	F	M	F	
Executives	2	0	1	1	2	0	0	0	1	0	5	2	7
	29%	0%	14%	14%	29%	0%	0%	0%	14%	0%	71%	29%	100%
Senior Management	6	1	0	2	2	0	0	1	1	1	10	4	14
	43%	7%	0%	14%	14%	0%	0%	7%	7%	7%	71%	29%	100%
Professional Specialist & Middle Management	26	1	2	4	14	1	0	0	0	0	33	15	48
	54%	2%	4%	8%	29%	2%	0%	0%	0%	0%	69%	31%	100%
Supervisory & Junior Management	12	0	0	3	5	0	0	0	0	0	15	5	20
	60%	0%	0%	15%	25%	0%	0%	0%	0%	0%	75%	25%	100%
Operational	30	0	1	0	16	0	0	0	0	0	31	16	47
	64%	0%	2%	0%	34%	0%	0%	0%	0%	0%	66%	34%	100%
Support	0	0	0	0	7	0	0	1	0	0	0	8	8
	0%	0%	0%	0%	88%	0%	0%	13%	0%	0%	0%	100%	100%
Total Permanent and fixed term contracts	**76**	**2**	**4**	**10**	**46**	**1**	**0**	**2**	**2**	**1**	**94**	**50**	**144**
	53%	**1%**	**3%**	**7%**	**32%**	**1%**	**0%**	**1%**	**1%**	**1%**	**65%**	**35%**	**100%**
GRAND TOTAL	**76**	**2**	**4**	**10**	**46**	**1**	**0**	**2**	**2**	**1**	**94**	**50**	**144**

Internship

The Company entered into a two-year agreement with Media, Information and Communication Technologies Sector Education and Training Authority (MICT Seta) in 2016, which ended on the 30 September 2018. MICT SETA funded fifteen of the interns, ten of which needed P1/P2 practicals, while five had graduated and needed practical work exposure and structured work experiential training to complete their curricula, to graduate. Out of the ten, seven qualified for P1/P2 during the previous financial year and the last two qualified during the year under review. Thus, from the beginning of the program, 100% of the interns have completed the P1/P2, including the three that resigned.

The table below indicates the internship program for the last three years for both technical and non-technical environments:

Table 13 No of Interns & Trainees

Program	Appointed	Technical	Support	Completed	Extended	Upgraded to Trainees	Absorbed	Resigned	Comments
2016/17 Intake (24 Months)									
P1& P2	8	8	0	5	1	3	2	2	3x Trainees 1x Extended (Completed in 2018/19 Quarter 4) 2x Absorbed (01/04/2018 & 01/12/2018) 2x Resigned
P2	2	2	0	2	0	0	2	0	2x Absorbed (01/09/2017 & 01/02/2018)
WILP	5	3	2	3	2	3	0	0	2x Extended (1x An Exam in April & 1x DHE to issue qualification) 3x Trainees
INTERNS	3	2	1	3	0	1	2	0	2x Absorbed (01/03/2018 & 01/12/2018) 1x Trainee
TOTAL	**18**	**13**	**3**	**15**	**2**	**9**	**6**	**1**	
2017/18 Intake (12 Months)									
INTERNS	5	0	5	2	1	2	0	1	2x Extended 2x Trainees 1x Resigned
TOTAL	**5**	**0**	**5**	**2**	**1**	**2**	**0**	**1**	
2018/19 Intake (12 Months)									
P1& P2	2	2	0	0	0	0	0	0	2x Completing end September
P2	2	2	0	0	0	0	0	0	2x Completing end September
INTERNS	4	2	2	2	0	2	0	0	2x Trainees 2x Completing end September
TOTAL	**8**	**6**	**2**	**2**	**0**	**2**	**0**	**0**	

The internship program creates value for the Company as a pool of engineers and qualified potential employees, and we in turn distribute value to the unemployed youth by creating an opportunity for them to gain work experience, thus improving their prospects of being employed.

In the previous financial year, we appointed five interns, two resigned and three were permanently absorbed. During the year under review, we appointed six new interns, four of whom were females, two males and one was a person with a disability (PwD). They were all placed in the technical environment.

Employee Development

The Company has spent 1.8% of the salary bill on training and development of its employees, including interns, which is 0,8% improvement compared to the previous financial year. The budget allocated for training and development over the past three years, has been 1% of the total salary bill. The financial capital was reduced by R1.7 million, however the human capital improved, as the capabilities of employees were enhanced.

A total number of 160 employees received training, which comprises 115 males and 45 females, of which a number of 57 employees received technical training. The high number of soft skills interventions is as a result of the required development programmes for the interns, who require basic competencies for comprehensive development over and above those related to their registered academic programmes.

Number of 1.8% of the salary bill and 5 683 hours were spent on training, translating into an average of 35 hours per employee per annum, including interns with, which has reduced the financial capital. However, this has in turn increased the human capital, as the skills and capabilities attained strengthen the skills base for the Company and a repository of knowledge for and future business performance, is built.

Internal Bursary Scheme

Eight employees were provided with study assistance to register for tertiary institution programmes. The scheme is part of the skills retention strategy, as those who are funded are contracted to serve time equivalent to their study period. The program has assisted with internal capacity building, as employees obtain qualifications that make them eligible for promotional opportunities. This is an integral part of the employee value proposition, and mitigation of risk for the Company to continuously build the succession pipeline that strengthens its ability to achieve its objectives.

Performance Management

A culture of optimum performance standards have been nurtured in the organisation. Consistency with compliance to the application of the employee performance evaluation process and reduced association thereof, with the monetary incentive that the Company has not afforded in the recent past financial year, indicates appreciation for the value of the practice for the employees, as well as the Company. During the reporting financial year, the contracting was at 94%, compared to 98%, since 2015. The perceived decline was as a result of a recruitment drive in 2016/17 and a number of new employees were not eligible to participate in the performance evaluation by the end of that reporting year.

As a result of this, there has been a reduction in the number of poor performers. Performance outcomes are also used for decisions to advance the careers of excellent performers, such as participation in overseas telecommunications seminars, which is arranged by the Shareholder department, as well as funding for furthering studies and eligibility for promotions.

The figure below, is a graphical illustration of the outcome of the performance evaluation over three years, which indicates that the outcome of the process is relatively close in accordance with the globally benchmarked employee performance outcome based vitality curve model. It maintains that 10% of a Company's total staff would be at the lower end 70% in the middle and 20% in the higher end. This confirms our effective application of the performance management framework.

Employee Performance Ratings

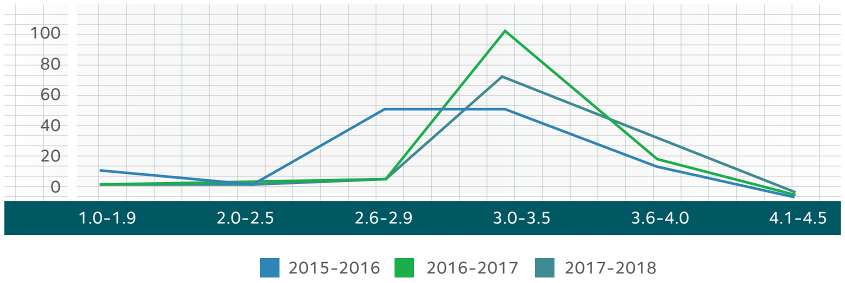


Figure 23: Performance Management

The performance management framework has been so well established, that for the past financial years it has been safely applied to link a portion of the annual salary adjustment percentage to the outcome of the performance evaluation process. The principles apply across all levels of employment.

Health and Safety

We pride ourselves in the low number of incidents involving our employees on the roads and have not experienced serious productivity disruptions due to injuries on duty. This is attributable to the Company upholding the health and safety of our employees and contractors by compliance and conformance to the Occupational Health and Safety Act 85 of 1993, and other requirements applicable to the business. This resulted in the lost-time injury frequency rate (LTIFR) remaining steady at 0.00 rate, which is within the limit of 0.6 thresholds, as indicated in the graph below:

LTIFR - % (Lost Injury Frequency Rate) 2018-2019 F/Y

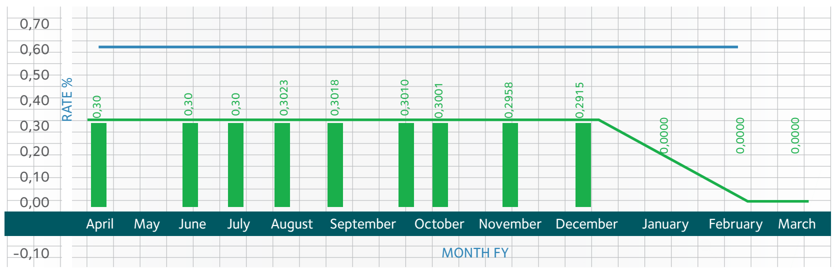


Figure 24: Lost Time Injury Frequency Rate

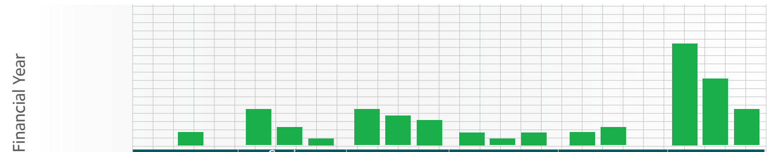
Accidents and Incidents Management

There were four motor vehicle accidents reported during the year under review, that were not major and no hours of work were lost. However, to reduce the accident rate, plans have been put in place for all employees who are issued with Company vehicles to undergo Defensive and Advanced Driving lessons in the forth coming financial year. We do have insurance cover to replace lost or stolen assets.

Staff Turnover

There has been a reduction in the staff turn-over rate with total terminations for 2018/2019 being nine, excluding the termination of contractors and interns. It indicates that losses are more at middle and senior management levels, which includes technical and specialist professionals which are the Company's critical core skills base. The deliberate effort in ensuring that employees are engaged and operate within an environment where their career growth aspirations are fulfilled and their contributions valued, are some of the reasons for the reduced staff turn-over rate.

Terminations: Three FY comparison



Financial Year	Executives	Senior Management	Middle Management	Junior Management	Support	Total
2016/2017	2	9	9	2	2	24
2017/2018	0	3	7	1	4	15
2018/2019	0	1	6	2	0	9

Job Levels

Figure 25: Terminations

In order to remain alert to workplace dynamics and concerns that may be attributable to voluntary termination of employment, the Company ensures that every exiting employee conducts an exit interview. The information gathered is analysed and shared in management reports. In matters where it could be considered harmful to business operations or the reputation of the Company, the information is disseminated accordingly to seek redress or improvement to the situation. In some instances, the feedback has led to HR policy amendments to improve employee morale and productivity levels.

Key Highlights

- Twenty Seven positions were filled during the year under review, 13 of which were permanent external appointments, with four reappointments and ten internal promotions; four contractors and eight Interns were also recruited.
- The appointment and on Boarding of the new Chief Marketing and Sales Officer was effective as 02 January 2019.
- Fast-tracking the skills development initiatives for the eight interns.
- Employee participation in the China Telecoms global telecommunications seminars provided an opportunity for technical skills upgrade.
- The launch of the CEO's recognition awards.
- The implementation of the Sales and Executive Incentive schemes.

Challenges

- According to research data in market remuneration benchmarks, employees' annual salary adjustment expectations and perceptions about the net value of their jobs are above normal market rates and projections.
- Another year without the annual employee performance-based incentive is with impacting staff morale.
- The Company is already experiencing requests for salary adjustment by engineers and technicians.

Forecast

- Ensuring adequate human resources for the SA Connect Project, includes upgrading of requisite skills and filling of all critical vacancies.
- Review of the organisational structure to enable the implementation of the revised corporate plan.
- Policy-based implementation of business processes is to be formulated and automated for improved efficiency and effective service delivery to support the organisation.
- Intensifying efforts to improve Employment Equity demographics for increased females and Persons with Disabilities.

Natural Capital

"Broadband Infraco cares and protects the natural environment."

The Company has minimal impact on this capital, although we ensure compliance and conformance to the National Environmental Act, Local and Provincial regulations and the ISO14001:2008, which is an international standard for the Environmental Management System.

LEADERSHIP AND GOVERNANCE

Our Approach to Governance

At Broadband Infraco, we are accountable for our actions and endeavour to be transparent in all our decisions and activities, as espoused in our values

Broadband Infraco as a state-owned Company, has an Executive Authority, who is the Minister of Communication and Digital Technologies, the Honourable Ms. Stella Ndabeni-Abrahams, the Department of Telecommunications and Postal Services. The Accounting Authority is the Board of Directors and the Accounting Officer is the Chief Executive Officer, in terms of the PFMA. The Company also has the IDC as its Shareholder.

The Accounting Authority guides the strategic direction of the Company and monitors the progress and achievement of the strategic objectives as set out in its corporate plan. The Board ensures that the Company complies with the requirements of the Companies Act, the PFMA, the National Treasury Regulations and other legal requirements within the domain of the Governance Framework.

We continued to evolve our governance structures and practices to ensure the achievement of our strategic objectives and to deliver to our customers effectively, efficiently and transparently. We established new operational committees that are accountable to the Executive Committee (EXCO) to enhance our compliance and strategic deliverables, which are aligned with the international best governance practices.

Our business is uniquely developmental as a state-owned and commercial entity, which require consideration of diverse aspects, while managing our business in accordance with best practice. This entails business processes, management, technology, environment, employment, relations with suppliers, customers, and society.

Our practice

Our integrated thinking and application of good corporate governance is embedded in our organisational culture and is exhibited in the manner in which the Company oversight is provided, which is depicted in the figure below. This is done specifically through governance principles and policies that are integrated into our operations and is frequently reviewed to ensure continuous compliance and application of best practice. A robust governance structure is in place, including the presence of a lead independent non-executive director.

King IV supports the inclusion of sound leadership practices, such as sustainability and good corporate citizenship in our business structures, policies, and practices. Some of our governance activities are already aligned with the King IV Code of Corporate Governance for South Africa, and we are making progress in applying these principles as encapsulated on page 80 to 83.

The figure below depicts the Governance Framework, which regulates our relationship with the Shareholders and guides the way in which we conduct our business. The framework clearly indicates that there are clear roles and responsibilities and policies in place.

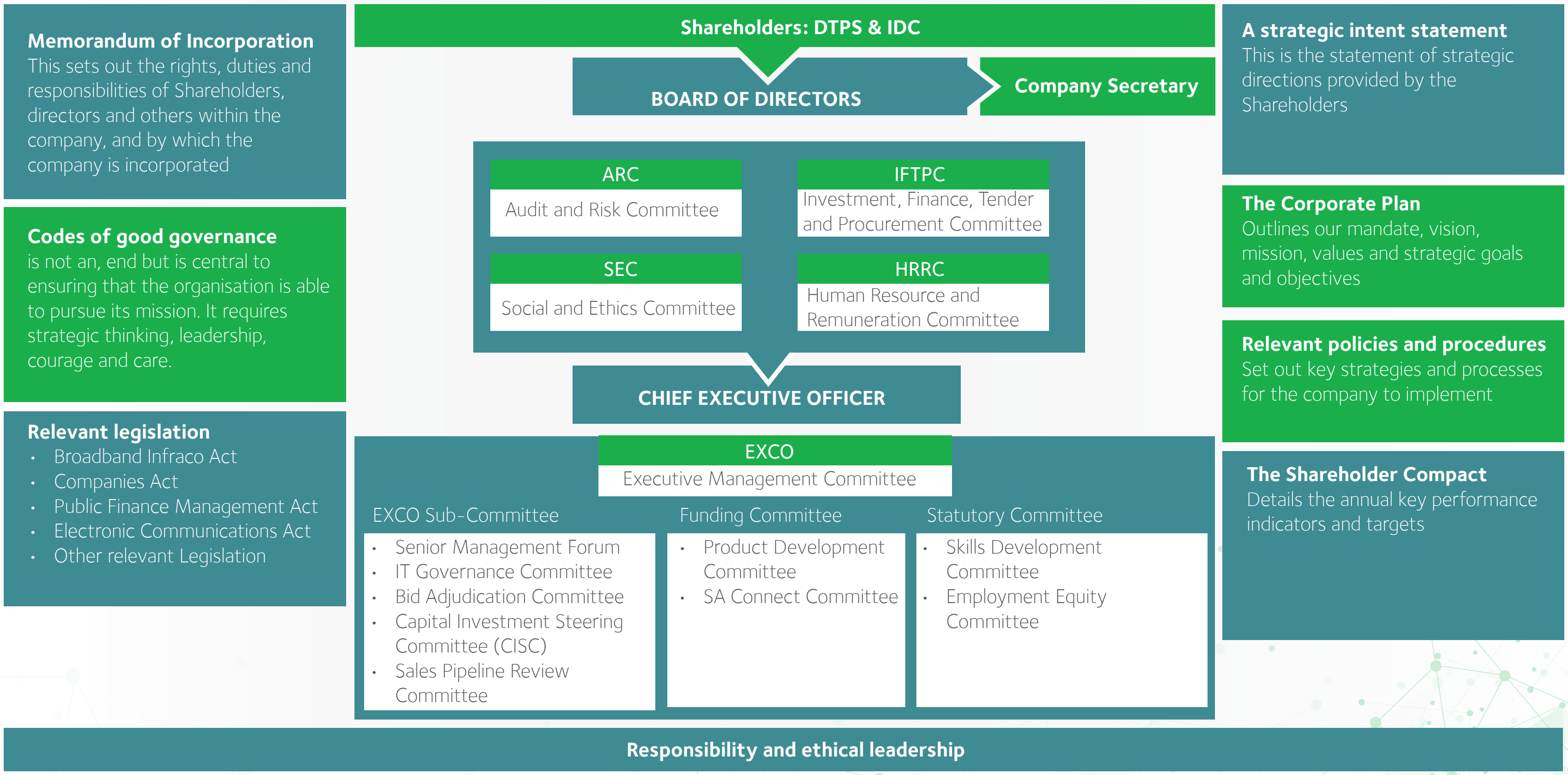


Figure 26: Governance Framework

Effective control is maintained through a well-developed governance framework encapsulated in the figure above, it provides for delegation of authority and applicable responsibilities. The Board delegates authority to relevant Board Committees and individuals with clearly defined mandates that are reviewed annually. These Committees discharge Board responsibilities and provide an in-depth focus on specific areas according to their relevant skills and expertise.

The Board delegates authority to the executive managers to conduct the business and affairs of the Company. Our executive management assists the Chief Executive Officer, subject to statutory parameters and the Board's limits on the delegation of authority. Delegated authorities are monitored and reviewed on an annual basis. The Significance and Materiality Framework sets out the requirements for those matters needing approval in terms of the PFMA. Read together with the Delegation of Authority Framework, it informs the referral of matters from the executive level to committees of the Board, and where applicable, to DCDT or Shareholders and National Treasury.

Board of Directors

Memorandum of Incorporation

The Memorandum of Incorporation (MoI) indicates that the Board shall consist of nine Directors, of whom, seven including the Chairman, should be independent non-executive directors, and two should be executive directors. The executive directors are the Chief Executive Officer and Chief Financial Officer.

Board Charter

The Board charter is underpinned by principles of sound corporate governance. It is revised annually to ensure alignment with best practice and to provide further guidelines for responsibility and considered changes brought about by new legislation or the business environment.

The Board charter details the responsibilities and obligations of the Board and is aligned with the Company's Memorandum of Incorporation.

Chairperson of the Board

The Chairperson provides overall leadership of the Board and its committees. He monitors and evaluates the performance of the Chief Executive Officer in conjunction with the HRR Committee in order to ensure the achievement of our strategic and operational objectives.

Composition of the Board

Non-executive Directors are appointed by the Shareholders, approved by Parliament, for a period of three years, renewable annually at the Annual General Meeting. The executive directors are appointed by the Board with the concurrence of the Minister of Communication and Digital Technologies. The Board also appoints other executive managers with the assistance of the Chief Executive Officer.

Our seven independent directors comprise four black males, two black females and one white female, close to achieving the desired 50/50 gender representation. The two executive directors comprise one black male and one white male.

The Board is satisfied that the balance of power, gender representation and objectivity on the Board is sufficient, though it might be improved in the future.

Profiles of the Board of Directors

Mandla Ngcobo

Qualifications:
LLB (Natal), LLM in
Company Law (WITS), Business Management Programme (UCT); Admitted Attorney

Expertise:
Law; Telecommunications and Business Management expertise
Chairperson of the Board

Nokuthula Selamolela

Qualifications:
B. Com (Accounting) (North-West University), B. Com (Hons) (UKZN) Master of Commerce in Development Finance (UCT Graduate Business School)

Expertise:
Telecommunications, Finance and General Management
Chairperson: Audit and Risk Committee
Member: Investment, Finance, Tender and Procurement Committee

Sydney Mabalayo

Qualifications:
BSc (Electrical Engineering) (UCT), MBA (WITS)

Expertise:
Project and General Management
Chairperson: Human Resources and Remuneration Committee
Member: Social and Ethics Committee, and; Investment Finance Tender and Procurement Committee

Andrew Matseke
Chief Executive Officer

Qualifications:
BSc Electrical & Electronic Engineering (UCT),
Master of Business Administration (UP)
Post Graduate Diploma in Project Management (Cranefield College). Professional Engineer (ECSA). Senior Member (SAIEE)

Expertise:
Engineering, Telecommunications and Business Management,
Strategy Development, and Execution.

Ian van Niekerk
Chief Financial Officer

Qualifications:
B. Compt (Hons) (UNISA), CA (SA), CIBM (UNISA), Certificate in Short Term Reserving Techniques (UP)

Expertise:
Telecommunications, Financial Management,
Commercial Management, Strategy Execution

Zandile Kabini

Qualifications:
B. Com (Hons)– Informatics (Uni. Of Pretoria) , B. Com Business Management (UNISA).

Expertise:
Information, Communication and Technology (ICT) and Business Management expertise
Member: Audit and Risk Committee and Investment, Finance, Tender and Procurement Committee (IFTP)

Gift Mphefu

Qualifications:
BSc. Electrical & Electronic Engineering (UKZN), Certificate Course in Wireless Telephony (UP), Master's in Engineering Management) (UP), Post Graduate Diploma in Health Technology Management (UCT)

Expertise:
Information, Communication, and Technology (ICT),
Business Management expertise, Engineering
Chairperson: Investment, Finance, Tender, and Procurement Committee (IFTP)

Jennifer Schreiner

Qualifications:
BA Honours (UCT), Master of Arts (Sociology) (UCT), Master's in Security Studies (University of Pretoria), Certificate in Project Management.

Expertise:
Researcher, activist, administrator, manager and strategist,
Ex-MP, Public Service and Administration
Chairperson: Social and Ethics Committee
Member: Human Resources & Remuneration Committee

Lungile Mabece

Qualifications:
B Proc the University of the Western Cape, LLB University of the Western Cape, Higher Certificate: Project Management (2002) Damelin.

Expertise:
Attorney of the High Court, Corporate and commercial lawyer who is an expert in Transport Law, Information and Communication Law, Policy and Legislation Development.
Member: Audit and Risk Committee and; Human Resources & Remuneration Committee

Director Development and Evaluation

To ensure that all directors on both the Board and its Sub-committees are adequately equipped with the latest information and knowledge relating to the Company's business and to continuously support them in their role as Directors, the Board are members of the Institute of Directors (IoD) and identify relevant training programmes that they need to attend. Due to the organisation' s current austerity measures, Board members have not attended any conference or training in the year under review. However, they have attended programs presented by the IoD.

All new Board members undergo a detailed Board induction process. As more than half of the independent none-executive directors were newly appointed, a Board evaluation was not conducted during the year under review. It is envisaged that the evaluation will be conducted in the forthcoming financial year, 2019/2020.

Board Focus Areas

2019 financial year

The Company commenced with the SA Connect project as commissioned by the DCDT, amidst the financial constraints, which required an exerted effort by it to seek funding from the development institutions and its other Shareholder, the IDC. The Board was also refreshed with more of a mix of expertise and talent, whilst other members, such as the Chairperson, was retained to take our business forward. The mix of experience, expertise and talent has proved invaluable in problem-solving and oversight.

The Board served to conclude the following business imperatives:

- Reviewed and approved the 5-year Corporate Plan for 2018/19 to 2023 and its related Budget.
- Approved capital projects.
- Approved the sales incentive scheme.
- Approved the CEO's Employee Award Program (EAP).
- Approved the cost of living adjustment for employees, including executive managers.

Refer to a detailed report of the Board on page 94 to 95.

2020 future focus

- Board evaluation.
- Review of the corporate strategy.
- Electronic 360 evaluation.
- SOC rationalisation.
- Board training.

Delegation of Authority

The Board has delegated its authority to various Board committees, with the mandate to deal with governance issues and report on their activities on a quarterly basis. Each committee operates under terms of reference which set out roles and responsibilities, composition and scope of authority, which are reviewed on an annual basis.

During the year under review, each committee had several key duties and responsibilities and the Board is satisfied that the committees effectively discharged their responsibilities, in accordance with their respective terms of reference.

Company Secretary

The Company Secretary, Fahim Mohamed was appointed on 1 June 2008. He is responsible to ensure proper administration of the Board and its committees. The Directors regularly engage with the Company Secretary for governance and regulatory advice. He prepares the annual meeting schedules in consultation with the Board Chairman and Chairpersons of various committees. In order for the Board to function effectively, all directors have full and timely access to information that help them to properly carry out their duties.

The performance of the Company Secretary, as well as his relationship with the Board, is assessed on an annual basis by the Chairman of the Board, as well as the Chief Executive Officer. The assessment considers competency, qualifications, and experience, as well as regular contact with the Board and Management.

The Board is satisfied that the incumbent is suitably qualified and his relationship with the Board is adequate to ensure his independence from director influence or conflict of interest.

Board-appointed Committees

The Board delegates certain management responsibilities to Board appointed committees to assist it discharging its duties, while remaining accountable for the performance and affairs of Broadband Infraco.

In line with the requirements of the Companies Act, the Board of Directors established the Audit and Risk Committee (ARC), the Human Resource and Remuneration (HRRC) , the Investment, Finance, Tender, and Procurement Committee (IFTPC), and Social and Ethics Committee (SEC). The ARC's constitution, functioning and reporting, complies with the PFMA requirements.

Each committee acts within agreed, written terms of reference and the Board receives minutes of committee meetings and reports from the Chairperson of each Board-appointed committee at the scheduled Board meetings.

The Chairperson of each Board-appointed committee is an independent non-executive director and members are non-executive directors. The executive directors and other executive managers attend committee meetings by invitation.

ARC

The ARC executed the following duties during the 2018/19 financial year:

- Approved the Internal Audit Plan and Internal Audit Charter;
- Considered the risk areas of the operations covered in the scope of internal and external audits;
- Considered accounting and auditing concerns identified because of internal and external audits;
- Assessed the adequacy, reliability, and accuracy of financial information provided by management;
- Assessed compliance with applicable legal and regulatory requirements;
- Reviewed the effectiveness of the internal audit function (IAF), compliance and risk departments, through assessments of the quality of the reports submitted to the Audit and Risk Committee;
- Reviewed the financial statements and reporting for proper and complete disclosure of timely, reliable and consistent information and confirmed that accounting policies used, are appropriate;
- Reviewed the cash flow forecast on a quarterly basis and assessed the liquidity of the Company;
- Reviewed the expertise, resources, and experience of the Company's finance function;
- Reviewed the quarterly progress and update on litigations;
- Provided a channel of communication between the Board and Management, the risk division, internal auditors, external auditors, and the compliance officer;
- Liaised with the Board Committees and met as required, with the regulators and separately with internal and external auditors;
- Ensured that the integrated assurance model was applied to provide a coordinated approach to all assurance activities; and
- Ensured that the integrated assurance received, was appropriate to address all significant risks faced by the Company.

Refer to a detailed report of ARC on page 92 to 93.

HRRC

The HRRC undertook the following activities during the 2018/19 financial year:

- Approved the revised Organisational Structure;
- Approved the Employment Equity Report;
- Approved the CMSO's appointment;
- Received regular updates on the Relationship with the Union;
- Approved the Annual Employee Cost of Living Adjustment;
- Approved the HR quarterly reports;
- Considered the Proposal for the Sales Commission Structure;
- Received updates on Employee Performance Management Status;
- Considered the human capacity impact of SOC Rationalisation; and
- Approved various HR policies for implementation.

IFTPC

The IFTPC undertook the following during the 2018/19 financial year:

- Recommended its Terms of Reference;
- Approved the Annual Procurement Plan / Demand Plan;
- Received Capital Projects Status Report;
- Considered the funding status update and financial position of the Company;
- Considered Supply Chain Management Reports;
- Considered the Corporate Plan for 2020-2024 and its budget; and
- Considered the Strategic Risk Register 2019/20.

Social and Ethics Committee Report (SEC)

The SEC undertook the following during the 2018/19 financial year:

- Recommended its Terms of Reference;
- Considered the Code of Ethics and Business Conduct Policy;
- Considered the Employment Equity Report;
- Approved the SHEQ Report; and
- Considered the Human Capital Report.

Resignations and Movements of the Board

2018 movements

Ms. M Maponya retired from the Board of Directors in September 2017. Ms. P Kwele (Ex CEO) retired from the Board and the Company on 30 November 2017. Dr. A Githiari (NED) retired on 14 February 2018. The IDC Board nominee, Ms. L Ramokone resigned in March 2018 after serving 5 months on the Board of Directors. Mr. A D Matseke (New CEO) commenced employment on 30 November 2017.

2019 movements

Four new members were appointed during the reporting period, three commenced on 1 April 2018, namely, Ms Z Kabini, Mr G Mphefu and Ms J Schreiner. Mr L Mabece was appointed in December 2018, though he commenced work on 1 April 2019.

Board and Committee Meetings Attendance

Meetings of the Board and its committees are scheduled in advance. Special meetings are convened as and when required to consider specific material issues.

Table 16 Board & Committee Meeting Attendance (Year to Date)

Names of Members	Board	Audit & Risk Committee (ARC)	Joint Audit & Risk and Investment Finance Tender and Procurement Committees	Human Resource & Remuneration Committee (HRRC)	Investment, Finance, Tender & Procurement Committee (IFTP)	Social & Ethics Committee (S&E)
* Chairperson	BMC Ngcobo	N Selamolela	N Selamolela	ST Mabalayo	G Mphefu	J Schreiner
M Ngcobo*	9/9	-	-	4/4	-	-
ST Mabalayo	8/9	4/5	1/1	4/4	2/3	1/1
N Selamolela	7/9	5/5	1/1	-	1/3	1/1
G Mphefu****	9/9	1/1	1/1	1/1	3/3	-
Z Kabini****	9/9	5/5	-	-	1/1	-
J Schreiner****	9/9	-	-	3/4	-	1/1
I van Niekerk***	9/9	5/5	1/1	-	3/3	-
A Matseke***	9/9	5/5	1/1	4/4	3/3	1/1
L Mabece****	1/1	-	-	-	-	-

** Chairman of the Board*
**** Executive Directors (CEO and CFO)*
*****New Members*

Note: G Mphefu was Invited to ARC meetings as Chair of the IFTP

Executive Committee (EXCO)

Our highest decision-making authority rests with the executive managers, who take responsibility for business oversight and governance based on sound governance practices that promote sustainability for us and our stakeholders. EXCO is responsible for recommendations to the Board on the operational policies and strategies, and for monitoring their implementation in line with the Board's mandate. It meets bi-monthly and more often when required.

Composition of EXCO members:

The composition of our executive managers consists of three black males, one white male, and two black females. In addition, the Company Secretary is one Indian male, as depicted.

Table 17 The Executive Committee

Andrew Matseke
Chief Executive Officer

Qualifications:
BSc Electrical & Electronic Engineering (UCT),
Master of Business Administration (UP)
Post Graduate Diploma in Project Management (Cranefield College). Professional Engineer (ECSA). Senior Member (SAIEE)

Expertise:
Engineering, Telecommunications and Business Management, Strategy Development, and Execution.

Ian van Niekerk
Chief Financial Officer

Qualifications:
B. Com (Hons) (UNISA), CA (SA), CIBM (UNISA), Certificate in Short Term Reserving Techniques (UP)

Expertise:
Telecommunications, Financial Management, Commercial Management, Strategy

Montseng Mopeli
Executive: HR

Qualifications:
Executive Development Programme (GIBBS), Master's of Management in HR; (WBS); Honours - Bachelor of Library & Information Science (UNISA), BA: Political Science and Public Administration (UNIN)

Expertise:
HR & General Management (Telecommunications & Manufacturing), Organisational Development and Transformation Strategies, and Labour Legislation framework

Gift Zowa
Chief Technical Officer

Qualifications:
BSc Electrical Eng. (Hons), MBA (University of Pretoria), Pr Eng. (ECSA), MSAIEE, MIEE (UK).

Expertise:
Telecommunications, (Switching, Transmission, Mobile (2G, 3G, LTE) IP, IT). Strategic Management, Business Management

Phumza Dyani
Chief Marketing and Sales Officer

Qualifications:
B. Com Accounting (UWC); MBA (Bond Austria)

Expertise:
Telecommunications Public and Private Sector Strategic Sales, Strategy Development and Execution, Business Development, Financial Services, FMCG Industry Verticals experience.

Mike Mojapelo
Executive: Compliance, Risk, and Audit

Qualifications:
B. Compt (Unisa); General Internal Auditor (IIASA); Professional accountant.(S.A) (SAIPA) EDP (Executive Development Program (Wits); Leadership Programme for Senior Manager (Univ. of PTA); International Leadership Development Program (Henley and Penn State Business School); and Postgraduate Diploma in Management Practice (Henley Business School)

Expertise:
Internal Auditing; Compliance; Risk; Governance and Strategy

Fahim Mohamed
Company Secretary (Ex Officio)

Qualifications:
BA (Law), Postgraduate Diploma in Business Management (Henley UK)

Expertise:
Company Secretariat, Compliance, Risk, General Management and Administration, Stakeholder Management

Compliance with laws, codes, rules, and standards

The Board of Directors has a duty to ensure that the Company complies with all applicable rules, laws, codes and standards, including the provisions of the Companies Act, the PFMA, the Memorandum of Incorporation (MoI) and the King IV Report on Governance (King IV). These codes and standards should not be read in isolation, but should be interpreted in the context of the whole compliance macrocosm applicable to the Company. In instances where the Board of Directors need to determine legislative priorities, for instance, the Company is subject to the PFMA, and in instances of conflicts in legislation; the PFMA prevails.

The Company has, to the best of its ability, complied in all material respects, with all legislation and regulations applicable to it during the period under review. Compliance reviews have been conducted without limitation in respect of, among others, the Companies Act, No. 71 of 2008 (as amended), the Income Tax Act, No. 58 of 1962 (as amended) the Public Finance Management Act No. 1 of 1999 (as amended) and Treasury Regulations.

King IV application

The Board subscribes to and recognises the need to conduct the business in accordance with the principles of the King IV. These principles include discipline, independence, responsibility, fairness, social responsibility, transparency and the accountability of Directors to all stakeholders. We are aware that King IV has moved from, "apply or explain" to"apply and explain", which requires us to substantiate our assertion that good governance is being practiced. To comply, we have entrenched many of these principles in our internal controls, policies, and procedures governing corporate conduct. The Board of Directors are satisfied that every effort has been made during the reporting period to comply in all material aspects of King IV.

During the period under review, we continued to focus on the application of, and adherence to the King IV principles, a preliminary assessment was conducted. On the face of it as depicted in the table below, indicates a high level of compliance.

Table 18 King IV governance register

#	Principles	Applied / Not applied /Partly applied	Comments / Remarks/ Intervention in place
1	Leadership	Applied	In its exercise of effective leadership, the board of directors (the Board) adheres to a Board Charter, which is in place and sets out its roles and responsibilities; and The Board discharges its duties with integrity and acts ethically by ensuring that conflicts of interest are proactively managed through a declaration of interests register, as well as an approved Conflicts of Interest Policy.
2	Organisational Ethics	Partly applied	The Board sets the tone and assumes responsibility for an ethical organisational culture through the Social and Ethics Committee. A formal Code of Ethics and Business Conduct Policy which guides the Company's interaction with both internal and external stakeholders, is in place and has been approved by the Social and Ethics Committee. The implementation and execution of the Code of Ethics and Business Conduct Policy has been delegated to management with overall oversight assigned to the Social and Ethics Committee. A gift register is in place, ensuring that employees and directors declare all business courtesies to the Company Secretary. The Company has been operating an external protected disclosure or whistle-blowing and Tipp-offs facility anonymous hotline. Planned areas of future focus: • Introduction of ethics training programmes; • Monitoring of adherence to the organisations' ethical standards through periodic independent assessments and how the outcomes were addressed; • Requirement for the Board to declare outside interests; • Publishing of codes and policies on the Company's website or other media as is appropriate; • Including the codes of conduct and ethics policies in supplier and employee induction and training programmes; and • Key areas of focus during the reporting period.

#	Principles	Applied / Not applied /Partly applied	Comments / Remarks/ Intervention in place
3	Responsible Corporate Citizen	Applied	With the support of the Social & Ethics Committee mandated with responsibility for monitoring and reporting on responsible corporate citizenship, oversees and assumes responsibility for corporate citizenship; and Oversight and monitoring are performed against measures and targets agreed upon with management, as well as KPIs to the Shareholder.
4	Strategy and Performance	Applied	The Board sets and approves the strategic direction, aligned with the purpose and values of the Company. The strategy formulation is delegated to management; The core purpose, risks, opportunities and other significant matters connected thereto all form part of the strategy and performance; and The Corporate Plan sets out the mission, vision, values, strategic objectives, key performance indicators and targets.
5	Reporting	Applied	All corporate governance disclosures, annual financial statements and all other reports, are published in the integrated report. Planned areas of future focus: Reports to be published on website and other platforms as required by legislation
6	Primary role and responsibilities of the governing body	Applied	The number of meetings and attendance is reported in quarterly reports and the annual report; and The Board has an approved Charter in place, based on the Memorandum of Incorporation (MOI) and is reviewed every three (3) years.
7	Composition of the governing body	Partly applied	The Board assumes responsibility for its composition by making the necessary recommendations, as the ultimate responsibility resides with the Shareholder; The Board comprises a majority of independent non-executive directors; There are only two (2) executive directors on the Board, namely the CEO and CFO; The period of service and reasons why members have been removed, resigned or retired appear in the corporate governance section of the integrated report; Planned areas of future focus: A process should be undertaken to appoint an independent Chairperson of the Audit and Risk Committee; and An assessment of non-executive members of the Board serving for longer than nine (9) years;
8	Committees of the governing body	Applied	All board sub-committees have formal terms of reference and their responsibilities and functions as delegated by the Board, are detailed in the terms of reference. A summary of each subcommittee's terms of reference is contained in the Corporate Governance section of the integrated report. The number of meetings and attendance is published in the integrated report under Corporate Governance. Planned areas of future focus: Every subcommittee should have a section in the integrated report where the committee expresses its views about its satisfaction regarding the fulfilment of its responsibilities
9	Evaluation of the performance of the governing body	Applied	An independent evaluation of the Board's performance has not been conducted for the past three (3) years; A formal process is to be followed for evaluating the performance of the governing body, its committees, its chair and its individual members, every two (2) years; Planned areas of future focus: Appointment of an independent non-executive member to lead the evaluation of the Chairman's performance; and A formal process, either externally facilitated or not in accordance with methodology approved by the governing body, for evaluating the performance of the Governing Body, its committees, its chair and its individual members, at least every two (2) years.

#	Principles	Applied / Not applied /Partly applied	Comments / Remarks/ Intervention in place
10	Appointment and delegation to management	Partly applied	The CEO has been appointed by the Shareholder with clear roles and responsibilities in place; The delegation of authority framework is updated on a regular basis and contributes to role clarity and effective exercise of authority; A Company secretary has been appointed. Planned areas of future focus: A formal succession plan should be put in place by the shareholder/s.
11	Risk Governance	Applied	A formal Risk Management Framework has been put in place and the risk governance encompass both opportunities and associated risks to be considered when developing strategy; Potential positive and negative effects of the same risks on the achievement of organisational objectives; The governing body has delegated to management the responsibility to implement, execute and monitor effective risk management.
12	Technology and Information governance	Partly applied	The responsibility for the governance of technology is done through the IT Oversight Committee. The Committee monitors and exercises ongoing oversight and the effectiveness of technology and information; Planned areas of future focus: The IT Oversight Committee should on a quarterly basis report to the Audit and Risk Committee on its activities.
13	Compliance Governance	Applied	All employees and directors of the Company are required to comply with all applicable laws. A compliance policy and compliance framework approved by the Board, are in place and articulate and give effect to the Company's direction on compliance; The Board has delegated to management the responsibility for the implementation and execution of effective compliance management; A compliance management plan is in place to provide an overview of arrangements for managing compliance, as well as key focus areas for the reporting period; and Should there be areas where compliance inspections by regulators release a finding, this finding will be published in the integrated report.
14	Remuneration Governance	Applied	The Human Resources and Remuneration Committee reports the internal and external factors that influence remuneration in the group in the integrated report, and shareholders are afforded the opportunity to bring out a non-binding vote on the policy and the remuneration paid during the financial year; The Company is committed to a reward philosophy, which focuses on rewarding consistent and sustainable individual and corporate performance; The Human Resources and Remuneration Committee operate under a mandate from the board and written terms of reference is approved by the board. All remuneration of Board and the Executive members is disclosed in the integrated report
15	Assurance	Partly applied	The Audit and Risk Committee annually reviews the expertise, resources and experience of the Company's finance function. The Internal Audit department complies with the standards as set by the Institute of Internal Auditors for Professional Practice of Internal Auditing and Code of Ethics.The Internal Audit methodology includes a risk-based approach; There is a formal review of the External independent service providers on an annual basis. There is regular monitoring of the approved audit plan. Planned areas of future focus: A Combined Assurance Framework needs to be reviewed

#	Principles	Applied / Not applied /Partly applied	Comments / Remarks/ Intervention in place
16	Relations	Applied	Stakeholder engagement is proactive and frank, and sits at the heart of our efforts to maintain the sustainability of our business. Our inclusive stakeholder engagement is based on the principles of: • Relevance • Completeness • Responsiveness At an operational level, we identify, prioritise and directly engage with stakeholders on matters that have the potential to affect their operational, sustainability or financial performance; The Company has in place a formal stakeholder engagement framework that outlines our approach to communicating and working with our stakeholders.

In 2019/20 financial year, we have planned to conduct an in-depth assessment of the application of the principles.

Remuneration

Our approach to remuneration

Our remuneration philosophy for executive management, non-executive directors and other employees is benchmarked against ICT industry standards and we strive to remunerate our employees competitively within the relevant occupational ranges. External consultants, where necessary, aid us in establishing market-related salary benchmarks. We consider both employee performance and business affordability to reach an appropriate remuneration figure.

Our approach is balanced and recognises differences in individual performance, value and contribution to the organisation through a framework that is consistent to ensure equitable pay levels and defensible remuneration decisions. A rigorous objective-setting process, at all levels, to ensure Shareholder expectations are met and/or exceeded, is undertaken every year as all employees at various levels sign performance agreements.

Our remuneration strategy

Remuneration is structured in a manner that supports our strategy by:

- attracting, motivating and retaining high-performing employees, by being competitive in the market;
- encouraging and rewarding employees to achieve or exceed the objectives and targets of the Company as contained in the corporate plan; and
- aligning the economic interests of employees with those of other stakeholders.

We endeavour to pay our employees at the 50th percentile of the Patterson job grading system, which is benchmarked with a selection of peer companies (primarily from the ICT sector) for setting base pay. Where applicable, such as in attracting people with pertinent and specialised skills, the Company will remunerate above this benchmark.

All employees are remunerated on a total-cost-to-Company basis. The package includes pensionable earnings, medical aid, and cash allowances and market factors are considered in determining the remuneration structures.

Equitable Pay and narrowing the salary gaps

The Company guarantees internal equity through defensible differentials in pay and resolve unjustifiable race and gender-based income differentials, if they arise. We are committed to the national strategy of reducing the earnings gap between the executive and the lower levels on the structure. Since the 2013/14 FY, the lower grades get the highest percentage increase and the higher the job category, the less the percentage increase, as illustrated in the table below:

Table 19 Cost of living increases

Financial Year	Bargaining Level	Non-Bargaining Level
2014/2015	7%	6,50%
2015/2016	6,50%	6%
2016/2017	7%	6,50%
2017/2018	6,28%	5,67%
2018/2019	6,25%	5,63%

Remuneration governance

The final responsibility for the remuneration policy rests with the Board, who in turn, appoints the HRR Committee to aid it in fulfilling its duties. The HRR Committee is primarily responsible for providing input into and approving the reward strategy where remuneration for executives and employees are concerned. The details of remuneration practices and approaches are detailed below:

Non-executive Director

The Non-Executive Directors (NED) are paid on a retainer basis, in alignment with the Department of Public Enterprise (DPE) Remuneration and Incentive Standards for State Owned Companies' (SOC) Executive Directors, Prescribed Officers and Non-Executive Directors (the Remuneration Standards). These Remuneration Standards were adopted by the DCDT and have been reviewed by the DPE, and are awaiting cabinet approval. The Board's Human Resources and Remuneration Committee (HRRC) has developed remuneration policies and practices that are aligned with the DPE Remuneration Standards that achieve the best value for the Shareholders and all stakeholders.

Historically, the Shareholders Compact was signed between the Board and the representatives of both Shareholders. However, the Shareholder Compact for 2017/18 was signed between the Board of Directors and the Executive Authority (Minister) and captures the above principle that ensures that the Executive Remuneration and Incentive of the Board is aligned with the newly recommended DPE Remuneration and Incentive Standards for SOCs.

Executive remuneration

Executive Management has fixed-term contracts and no restraints of trade have been set.

See detailed Remuneration Report for Non-Executive Directors and Executive Managers on pages 136 to 137.

Employee Remuneration and Benefits Management

In order to effectively manage labour costs for wastage and misalignment to productivity, the Company has set a cost efficiency ratio of 30% of revenue for human resources capital. The variable pay is part of the annual review of conditions of service negotiated with organised labour.

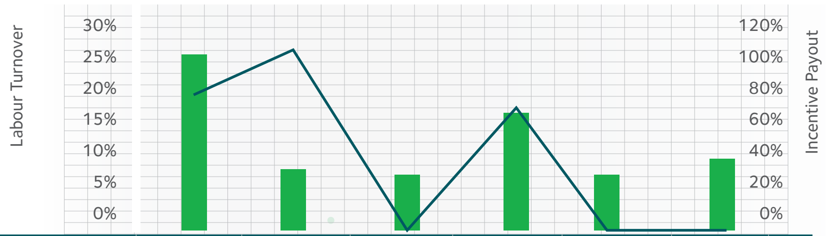
A review of the conditions of service, based on the substantive negotiation process yielded a reduction of variable remuneration in the technical environment, namely, overtime by 18% and nightshift allowance by 10%. The process to review salary scales was concluded through an independent remuneration service provider and approved by the HRRC during the year.

The two previous annual salary adjustments afforded the Company has experienced a breakthrough in aligning the above cost of living adjustment portion to performance. During the year under review, the Human Resources and Remuneration Committee (HRRC) approved the Management proposal and substantive negotiation strategy. The first meeting between Management and the Labour representative was held in May 2018 and the agreement was concluded in July 2018, after a total of nine sessions.

We have also analysed the impact of non payment of performance incentives to staff morale, retention and voluntary termination action of service. We have deduced that there was a high turnover rate in a year after performance incentives were not paid. The going concern that is as a result of the financial situation of the Company that has been turned around, had a major impact on the non payment of performance incentives and we have had to develop various strategies to improve talent retention.

The figure below depicts the staff turnover rate and the performance incentives payment:

Labour Turnover vs Incentive



	12/13 FY	13/14 FY	14/15 FY	15/16 FY	16/17 FY	17/18 FY
Labour Turnover Rate	25%	7%	6%	15%	6%	8%
Incentive	70%	100%	0%	70%	0%	0%

Labour Turnover Rate   Incentive

Figure 27: Labour turnover vs Incentives

During the year under review the Company implemented the CEO awards for best performers in various levels, excluding the Executives and the long outstanding Sales Incentives.

Our Control Environment

Our control environment consists of various governance functions and operational management practices, reported below:

Internal Audit

In accordance with section 51 of the PFMA, we established an internal audit function that is governed by the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA). The internal audit function is an independent assurance provider to the Company that is functionally accountable to the ARC.

The mandate and terms of reference of the internal audit function is included in the Internal Audit Charter, which is approved annually by the Audit and Risk Committee. The internal audit is a fully in-sourced function that operates under the strategic leadership of the Executive: Compliance, Risk and Audit (CRA)

In providing the required assurance in our governance, risk and control environment, the internal audit unit has adopted an end-to-end audit approach in conducting its audits. This approach has benefited the Company in ensuring accountability, ownership and synergy, and in eradicating a silo approach.

The overall assessment of the internal control environment indicated an improvement compared to the previous year.

Strategic Audit Plan alignment

The Internal Audit Strategy is aligned with Broadband Infraco's strategic objectives, strategic focus areas and critical risks. It takes the following management and control aspects into account:

- Corporate Plan and Shareholder's Compact;
- 'Tone at the top' that relates to institutionalising sound governance, risk and control environment;
- Human capital management strategy and employee culture;
- Factors that could obstruct or delay the satisfactory realisation of Broadband Infraco's goals and objectives;
- Findings from previous internal and external audit reports;
- Results from control self-assessments, integrated assurance and other continuous control monitoring tools, used by management; and
- The cyclical rotation of internal audit reviews in accordance with the three-year strategic rolling Internal Audit Plan.

During the year under review, follow up audits were conducted on external audit findings to ensure the implementation of the management action plan. One of the external audit findings remains unresolved, though the mitigation strategies put in place are satisfactory to ensure that the Company operates as a going concern.

An Issues Log Register was implemented for tracking reported internal audit findings and ensuring the implementation of corrective action plans for both IT and Finance, where the findings are most likely to be found. The log register was discussed quarterly with management and progress was reported for noting to the Audit and Risk Committee.

Performance information is audited quarterly to provide assurance on the accuracy and completeness of performance information that is reported.

Our Risk-Management Approach

The Board of Directors has delegated the mandate of ensuring an oversight role to the Audit and Risk Committee, over the risk management. Our strategic risk profile is generated from the Enterprise Risk Management (ERM) Strategy Framework and highlights the results of the annual risk assessment workshop with Stakeholders, the Board, and Management. The ERM methodology is continuously refined to accommodate improvements in governance, risk ownership, and risk measurement. We have further enhanced our governance processes and ERM methodology, by improving the integrated assurance management model for managing risks and controls.

We embarked on a collective approach to analyse risks by assessing them on an inherent or pre-control basis, thereafter allowing risk owners to explicitly state their desired risk control effectiveness, and finally aligning with the control effectiveness rating of the internal assurance providers.

There were no major changes in our business model to necessitate a shift in our strategic risks. The strategic risk register is a living document, and the identified risks were assessed in terms of impact and likelihood and final results were approved by the Board.

Risk maturity

We use the risk assessment matrix to measure the size of risk and to determine whether they have appropriate controls or mitigations to minimise the risk. Risks are constantly evolving, and the matrix should reflect these changes to our environment. The Company has noted that new events may trigger the need for new inclusions, such as establishing an enterprise risk management (ERM) program, a major merger or acquisition, or perhaps a significant deficiency or a material weakness which arises within the business internal controls environment. Hopefully, that's not the case, but with a continuous risk assessment process and matrix, we should be equipped to at the very least, heed any warning signs.

Our top risks had remained constant over a period of three years, with minor changes from year to year. The changes were mostly in management action plans and the risk status. The total number of risks have reduced from top ten, to top nine for the year under review, and two new risks were identified.

The following table details the strategic risks and provides the associated risk rating on the Risk Assessment Matrix, the impact on value creation and the associated timeframe, as well as the treatment strategy:

Table 20 Risk Assessment Matrix

IMPACT	5 Catastrophic	MEDIUM 5	HIGH 10	VERY HIGH 15	VERY HIGH 20	VERY HIGH 25
	4 Critical	MEDIUM 4	HIGH 8	VERY HIGH 12	VERY HIGH 16	VERY HIGH 20
	3 Serious	MEDIUM 3	MEDIUM 6	HIGH 9	VERY HIGH 12	VERY HIGH 15
	2 Significant	LOW 2	MEDIUM 4	MEDIUM 6	HIGH 8	HIGH 10
	1 Minor	LOW	LOW	MEDIUM	MEDIUM	MEDIUM
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain
LIKELIHOOD						

Table 21 Strategic Risk Register

#	Risk Description	Management Action Plan	Risk Status		
			Year 2016/17	Year 2017/18	Year 2018/19
1	Possible failure to continue as a going concern.	1. Management continue to actively manage and drive the new sales strategy that was implemented, i.e. reporting lines, process changes, consequence management, and new sales targets. A new Sales Resource person started employment during the fourth quarter. 2. Key supplier contracts have been negotiated and resulted in sustainable long term cost savings. All contracts that are up for renewal will be subjected to the same scrutiny. 3. Continuation in implementing the integrated sales strategy. 4. a. Renegotiation of key supplier contracts. b. Rigorous cash management. 5. Continuation of application for funding from external parties.			
2	Regulatory constraints impeding organisational agility.	1. Continue to drive the optimisation of the long-term demand plan and strategic sourcing to reduce the turnaround time of bids. 2. Continue to play a leading role as SOC infrastructure integrator. 3. Optimise demand planning in procurement. 4. Explore options of acquiring an ECS license			
3	Margin pressure.	1. The pricing strategy has been completed and approved by EXCO. The implementation will start in the new year. 2. Continue to place pressure on major suppliers and OEMs to reduce pricing in line with market demands. Further to this, when a big tender is submitted, specific discussions will take place to find optimal prices. 3. Embed and continue to optimise pricing strategy.			
4	The impact of Non- ICT SOC's on the cost to communicate.	1. Continue to engage non-ICT SOC's. 2. Engage the regulators to ensure that non-ICT SOCs are governed by the regulations.			
	Lack of awareness for new imperatives in privacy and security of information.	The risk has been well mitigated at a strategic level, to be moved to the operational IT register for continuous management.			N/A
5	Difficulty in raising Funds.	1. Extended credit terms with major suppliers (rated and international suppliers). 2. Continue to apply for funding from external parties.			
	Damage to the reputation of Broadband Infraco.	1. The risk has been well mitigated at a strategic level - to be removed from the register.			N/A
	Limitations in resolving fulfillment value chain	1 The risk has been well mitigated at a strategic level - to be removed from the register			N/A
6	The inability of the organisation to respond to rapid changes in market and technology	1. Network upgrade based on the M-Tera project, as well as the planned SA Connect project roll-out, is in progress. 2. Source funding for IP project.	N/A		
7	Difficulty in retaining and attracting the required skills, while appropriately managing the cost to revenue ratio.	1. Roll out of the internship program to include both core and non-core units. 2. Intensify employee engagement strategy. 3. Pilot retention strategy is now effectively applied, and the model needs to extend to other critical and scarce skills positions. 4. Board advised a retention incentive policy to be formulated, to reward good performers.			

#	Risk Description	Management Action Plan	Risk Status		
8	Inadequate stakeholder management	1. Develop a Stakeholder Management Strategy and Plan. 2. Review the current communication strategy. 3. Continuous engagement with all stakeholders.	N/A	N/A	
9	Cyber-security risk	1. Engage cyber-security experts to conduct cyber-security awareness throughout the Company. 2. Mimecast currently being used for back-up. 3. Knowledge transfer from co-sourced partners. 4. SharePoint is used for back up.	N/A	N/A	

Legends:

	Risk Status	Perceived Controls Effectiveness
	Level 1 – Very High Risk	Ineffective controls
	Level 2 – High Risk	Weak controls
	Level 3 – Medium Risk	Satisfactory controls
	Level 4 – Low Risk	Very good controls

Risk Movement

Risk no.2: Regulatory constraints impeding organisational agility:
The risk rating has improved from level 2 to level 3 due to the Company securing the use of an ECS license from a third party.

Risk no.9: Difficulty in retaining and attracting the required skills while appropriately managing the cost to revenue ratio:

The risk rating has improved from level 3 to level 4, due to the Company attracting key personnel and it maintained minimal staff turnover.

Business Continuity

The Board has an approved Business Continuity Management (BCM) Policy to provide better guidance regarding business continuity management and capabilities that must be in place. It further identifies the required processes, infrastructure, resources and plans to minimise the impact of a large-scale crisis or disaster that might affect our business operations. This policy will be reviewed in the new financial year.

Continuity of our business through our earliest recovery will serve to protect the interests of all our stakeholders. Our plan identifies and evaluates risks to the assets and operations, maintains prevention procedures and protection and mitigates the effects of unforeseen losses, by having in place processes of continuity and recovery, which are regularly audited, tested and updated.

Strategy Execution and Corporate Performance Management

The Board has approved the performance information monitoring and evaluation policy and procedures that provide a framework for strategy implementation and performance information monitoring and evaluation. To ensure that the strategy is implemented and there is delivery on the identified objectives, each strategic objective has key performance areas, which are essential for the achievement of its initiatives.

This ensures that there is an overall congruence between the overarching direction of the Company and its strategic plan. To this effect, the key performance areas have each been assigned Executive-level sponsors and it has associated measures to track performance.

The Board enters into a performance agreement as an annexure to the Shareholder Compact with the Shareholders, annually. The Annual Performance Plan illustrates the key performance areas, indicators, and targets that the Company is expected to achieve. The key performance indicators are cascaded down to divisions and individual employees to measure the performance of each business area and its employees.

Information Technology Governance

The Board is responsible for information technology governance, risk and compliance. In the year under review, the Board delegated the responsibility for the implementation of IT governance, to the management team. The management team has developed an IT Governance Framework which was adopted by the Information Technology Oversight Committee currently in place. The IT Oversight Committee plays a crucial role in driving IT programs across the Company to ensure it is effectively communicated and that all employees are informed of the framework and associated Information technology policies, such as the Information Security Policy and the use of allocated IT devices policy.

To gear the technology function to support the growing business environment, several of the governance, risk and compliance objectives have been set. The IT Governance Framework was developed by initially identifying generic technology risks and the policies that are aligned with the IT framework. During the year, we continued to be guided by the outcomes-based framework.

The Company subscribes to the international principles of anti-corruption behaviour that is embedded in the way we conduct business.

Values

Our values underpin our vision and serve as a compass for our daily activities, including the way we conduct business and interact with our stakeholders. See details on page 9 and 10.

Code of Ethics

Ethical conduct is a cornerstone of our values. Our code of business principles and ethics is fundamental to our culture of performance with integrity. The provisions of the code reflect the values of the Company and affirm its commitment to the highest standards of integrity and ethics in the conduct of our business. Most importantly, the code set out the Company's expectations of the conduct of its Directors and employees (both full and part-time), all contractors, including customers and other stakeholders.

Our code is a key element of our governance, risk management, compliance and ethics initiatives, and is intended to maintain a culture of integrity, and sets out the standards of responsible conduct to which all our stakeholders adhere to in our daily work. These standards must be well understood and embraced by all who are expected to live the values of the organisation, by upholding the principles that govern the way we work in a manner, with integrity, trust, responsibility, accountability, fairness, and transparency.

These principles are necessary for upholding and enhancing our ethical culture and conduct, which is a performance requirement for all employees. Our code contains standards, provides direction and sets forth principles that must guide our conduct internally and our interactions with business partners and parties, the communities in which we operate and undertake our activities, and with the public.

The Board and all our employees are required to submit a Disclosure of Interest form to the Company Secretary on an annual basis. These interests are checked against the Companies Intellectual Properties Commission (CIPC) to ensure that NEDs and employees are not conflicted with the Company in its external business interests. The Board members' declarations are also circulated at every meeting of the Board, for them to update their forms. All NEDs and employees who sit on committees are requested to declare at every sitting, if they have any conflict on any matter to be considered at that meeting. In a case where conflict is identified, the member or employee is requested to recuse themselves from the meeting, regarding the matter or any decision related thereto.

During the year under review, each committee had a few key duties and responsibilities and the Board is satisfied that the committees effectively discharged their responsibilities in accordance with their respective terms of reference.

Anti-Corruption

In terms of corporate governance and risk management, we are working to ensure that we apply Principle 11 of King IV, which states that businesses should work against corruption in all its forms, including extortion and bribery. The prevention of fraud and corruption is good business practice. We have taken several measures to mitigate fraud and corruption risks in our business and our operating environment, and continually review their effectiveness. The Board with the assistance of ARC monitor compliance with our Code of Ethics through quarterly reports that they receive from the Executive of Compliance, Risk and Audit, which includes feedback from the Company's independent whistle-blower hotline and our internal audit unit.

Addressing Fraud and Corruption

Our Fraud and Corruption Prevention Plans include aspects of training and awareness. We have also established a process to monitor and report on all reported cases and there has been a significant improvement in understanding and prevention of fraud and corruptions cases.

Fraud and corruption risks are included in our risk assessment process, for all our business units. Incidents of fraud and corruption that are reported or detected through management controls, are formally investigated by the Risk Management unit. Where control weaknesses are identified, control enhancement measures are implemented. Should an investigation prove that the Fraud and Corruption Policy has been transgressed, a formal disciplinary process is followed, which could lead to dismissal and/or criminal charges being instituted against the guilty party.

Our Fraud and Corruption Prevention Policy was reviewed during the year under review and is undergoing the approval processes. Such related issues are discussed at EXCO meetings as and when they arise and all members of management are required to declare their conflict of interests. This information forms the foundation for future fraud prevention activities.

Whistle-Blowing

The Company operates in line with industry best practices and standards, and has developed a Whistle-Blowing Policy and Procedure document. The prevention and detection of fraud consist of the following four key components:

- Commitment to zero tolerance of fraud and unethical behaviour;
- Control mechanisms to prevent and detect fraud, using an independent hotline service provider to help fight and combat corruption, fraud and unethical behaviour within the workplace;
- Promote a culture that will discourage corruption, using a proactive approach to fraud; and
- Communication at all levels about fraud and unethical behaviour, by conducting annual fraud awareness campaigns.

We pride ourselves in the systems and processes, and are satisfied that the measures in place are adequate to prevent any potential fraud and corruption risk Company-wide. This plan, together with the Whistle Blowing Policy and Tip-offs Anonymous Hotline procedures, shall be reviewed when there are material changes.

Only one incident was reported and investigated.

Integrated Assurance

The Company has adopted a guideline from King IV in reviewing a Combined Assurance Model for managing risks and controls, which consists of five levels of assurance providers.

We have defined our five lines of defence as follows:

1. Executive Management that includes senior manager and EXCO Sub-committees;
2. Specialists functions: Risk, Compliance, Safety and Quality Management;
3. Internal Audit;
4. External Audit and Other Regulators; and
5. Governing Body including the Board Committee and Shareholders

ARC ensures that an integrated assurance model is applied, to provide a co-ordinated approach to all assurance providers. The model is aligned with King IV principles on the interdependency between internal audit and other assurance providers, such as risk management.

The integrated assurance benefits the Company in the following ways:

- It reduces duplication of responsibilities;
- Provides a better assurance on risk;
- Provides improvement on the efficiency; and
- Provides better optimisation of resources.

The combined assurance model assists ARC and the Board by informing their view of the adequacy of risk management and internal control in the Company.

The figure below depicts five lines of defence

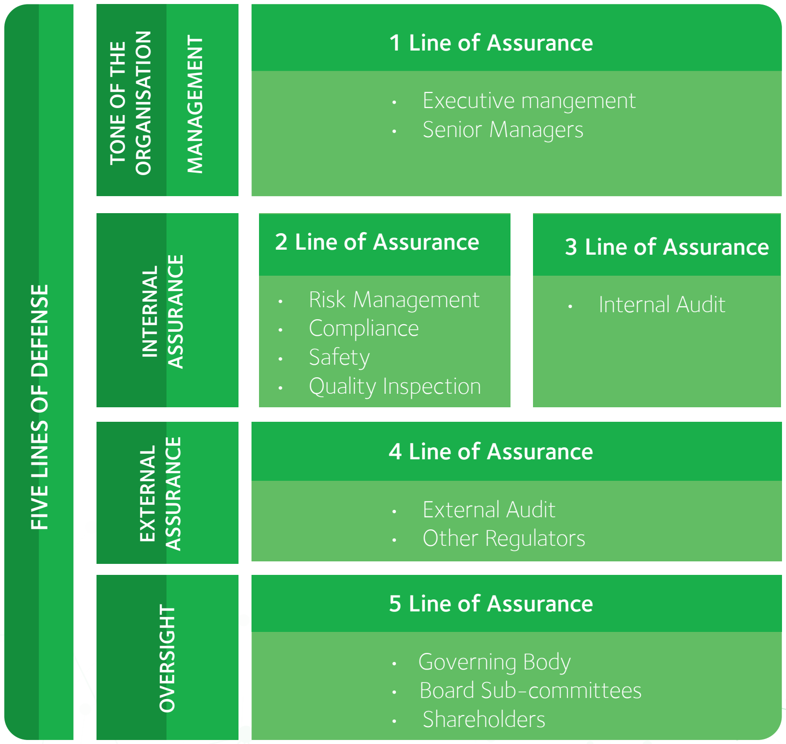
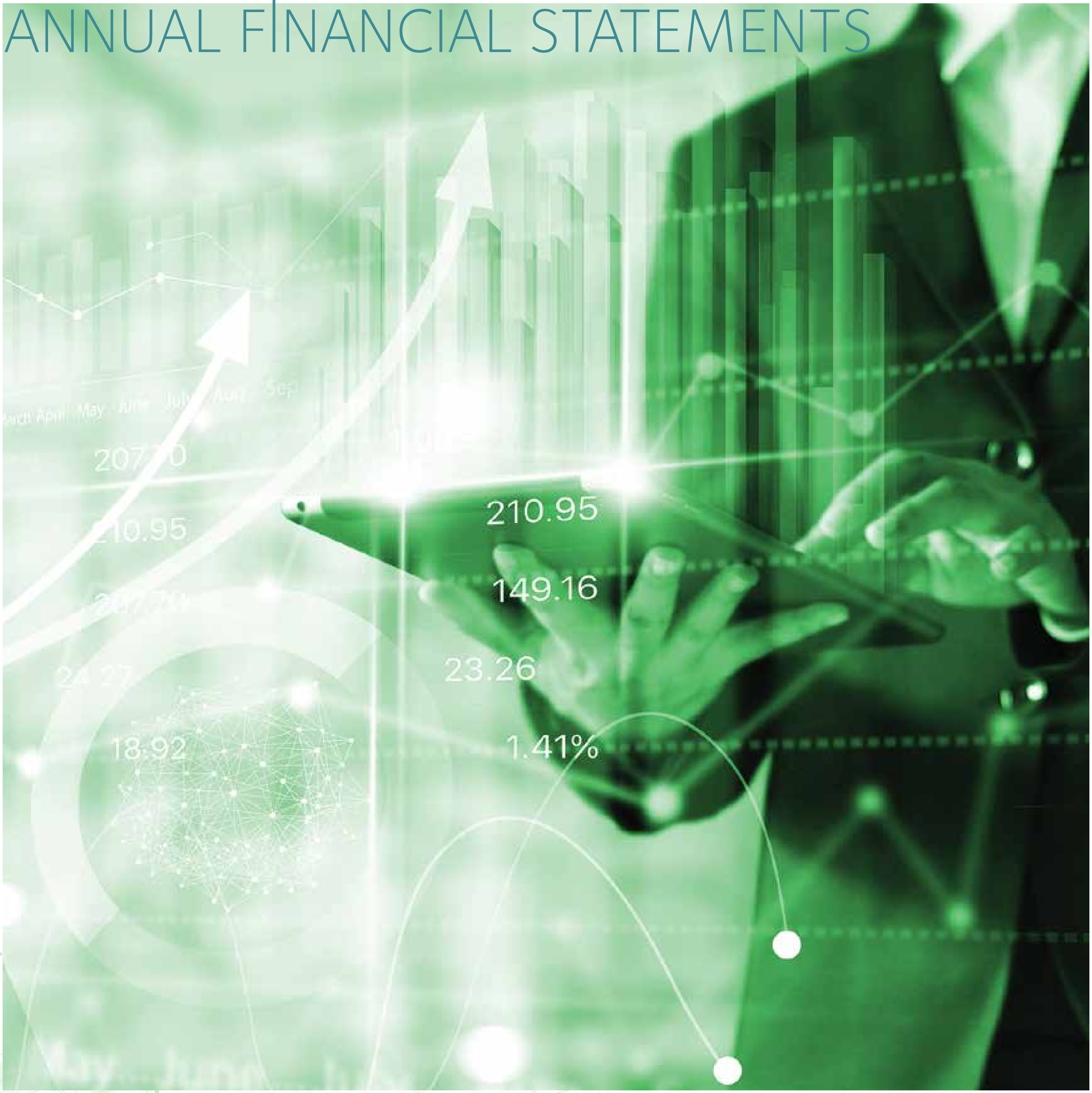


Figure 28: Our five lines of defence

Regulatory compliance

The number of 73 regulatory requirements have been identified as falling within the scope of compliance risk for the organisation and is incorporated in the Company-wide regulatory universe, which is reviewed annually. Compliance is implemented through a risk-based approach, with high priority given to mandatory/primary legislation impacting the organisation and its operations. The Company has a Compliance unit, the primary function of which is to assist and support the Board of Directors and management to discharge their compliance responsibilities. The Company has ensured that it reports on its compliance obligations to our Shareholders on a quarterly basis and has not been subjected to any non-compliance fines, penalties or compliance transgressions, during the period under review.

ANNUAL FINANCIAL STATEMENTS



ANNUAL FINANCIAL STATEMENTS
Audit and Risk Committee Report

1. Audit and Risk Committee Report for the 2018/19 Financial Year

The Audit and Risk Committee is an independent committee constituted to review the control, governance and risk management of the Company in terms of regulation 27(1)of the Public Finance Management Act No.1 of 1999 (PFMA), as amended. The Audit and Risk Committee reports that it has discharged its responsibilities as contained in the Audit and Risk Committee terms of reference.

The committee comprised Ms Nokuthula Selamolela (Chairperson and Non-Executive Director), Mr Sydney Mabalayo (Non- Executive Director) and Ms Zandile Kabini (Non-Executive Director). The Audit and Risk Committee was in place for the 2018/19 financial year and the members were re-appointed by the Shareholders at the Company's AGM on the 12th August 2018 as required in terms of section 94(2) the Companies Act 71 of 2008.

There were six (6) meetings held during the financial year ended 2018/19. Critical issues were discussed and minutes were recorded. The minutes of the Audit and Risk Committee meetings were made available to the Board on request.

During the 2018/19 financial year, the Audit and Risk Committee:

- Reviewed the effectiveness of internal control systems by approving the internal audit plan, internal audit charter and reviewing quarterly internal audit reports submitted;
- Considered the risk areas of the operations covered in the scope of internal and external audits;
- Considered accounting and auditing concerns identified as a result of internal and external audits;
- Assessed the adequacy, reliability and accuracy of financial information provided by management;
- Assessed compliance with applicable legal and regulatory requirements;
- Reviewed the effectiveness of the internal audit function, compliance and risk departments, through assessments of the quality of the reports submitted to the Audit and Risk Committee;
- Reviewed the financial statements and reporting for proper and complete disclosure of timely, reliable and consistent information and confirmed that accounting policies used are appropriate;
- Reviewed the cash flow forecast on a quarterly basis and assessed the liquidity;

- Reviewed the expertise, resources and experience of the Company's finance function;
- Reviewed the quarterly progress and update on litigations;
- Provided a channel of communication between the Board and management, the risk division, internal auditors, external auditors and the compliance officer;
- Received regular reporting from each of the above functions and monitored timely resolutions of issues or concerns raised by management;
- Liaised with the Board Committees and met as required with the regulators and separately with internal and external auditors;
- Ensured that the combined assurance model was applied to provide a coordinated approach to all assurance activities; and
- Ensured that the combined assurance received was appropriate to address all significant risks faced by the Company.

The Audit and Risk Committee ensured that the Company's Internal Audit function was independent and had the necessary resources, and standing authority in order to enable the Internal Audit department to discharge its duties.

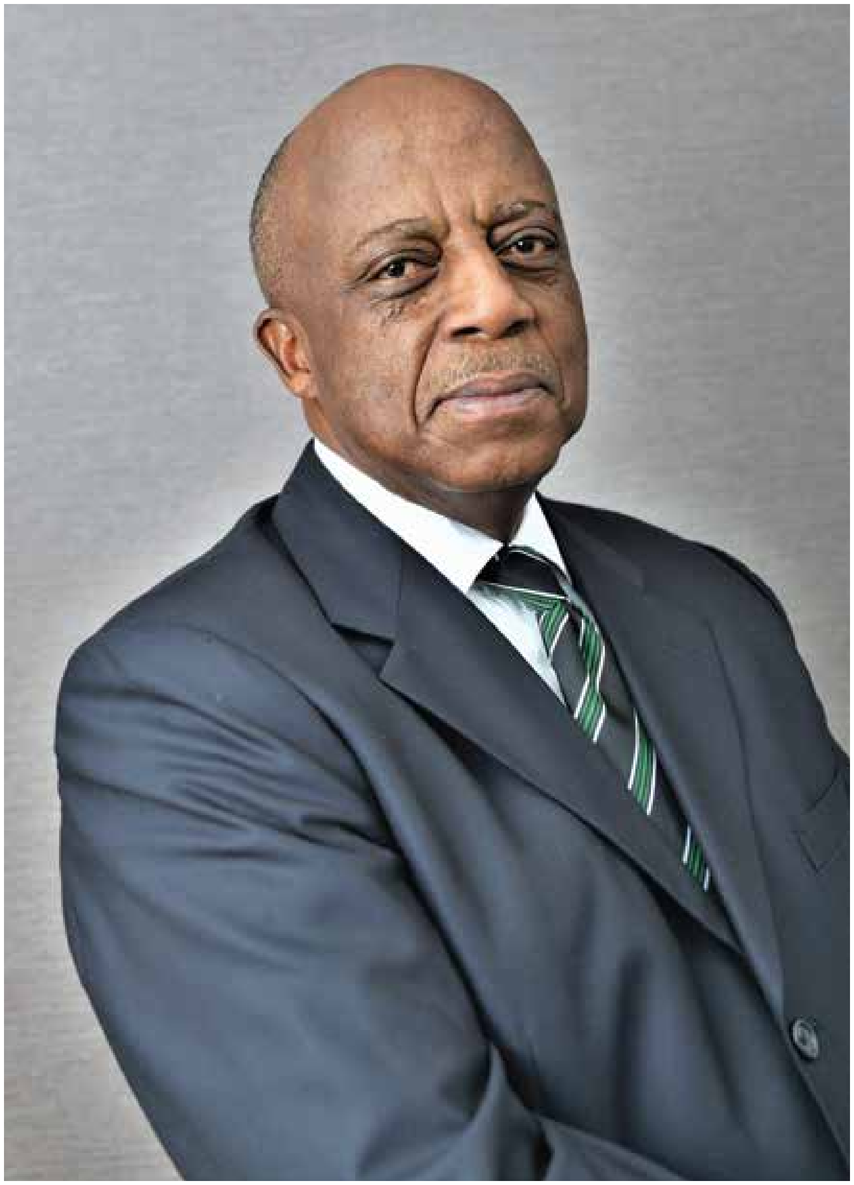
Having considered, analysed and reviewed the information provided by management, Internal Audit, External Audit and Risk Committee confirms that:

- The internal controls of the Company were effective in most material aspects throughout the year under review;
- Appropriate policies, supported by reasonable and prudent judgements and estimates were applied;
- Proper accounting records were maintained;
- The adequacy and effectiveness of controls that are in place safeguarded the assets;
- The financial statements comply, in all material respects, with the relevant provisions of the PFMA and International Financial Reporting Standards; and
- The skills, independence, audit plan reporting and overall performance of the external auditors were acceptable.

The Audit and Risk Committee is satisfied that management was reviewing the performance information reports on a quarterly basis against both the approved annual performance plan that was tabled in parliament and the Shareholders approved stretch target.

N Selamolela
Chairperson Audit Committee

ANNUAL FINANCIAL STATEMENTS
Directors' Responsibilities and Approval



The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards, the Public Finance Management Act No.1 of 1999 and Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, they are satisfied that the Company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Company's Annual Financial Statements. The Annual Financial Statements have been examined by the Company's external auditors and their report is presented on pages 96 to 99.

The Annual Financial Statements set out on pages 102 to 145, which have been prepared on the going concern basis, were approved by the Board of directors on 29 July 2019 and were signed on their behalf by:

BMG Ngcobo
Chairman of the Board

AD Matseke
Chief Executive Officer

Company Secretary's Certificate

In terms of section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the Company has lodged with the Commissioner all such returns as are required of a Public Company in terms of the Act and that all such returns are true, correct and up to date.

The Audit and Risk Committee concurs with the Board of Directors and management that the adoption of the going concern principle in the preparation of the financial statements is appropriate, and agrees with the details in the director's report.

F Mohamed
Company Secretary

ANNUAL FINANCIAL STATEMENTS
Independent auditor's report to Parliament on Broadband Infraco SOC Limited for the year ending 31 March 2019

Report on the financial statements

Opinion

We have audited the financial statements of Broadband Infraco SOC Ltd set out on pages 102 to 145, which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ending, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2019, and its financial performance and cash flows for the year then ending in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act no. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act no. 71 of 2008) (Companies Act).

Basis of opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with section 290 and 291 of the Independent Regulatory Board for Auditors' Code of professional conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

We draw attention to note 28 which indicates that the Company incurred a net loss R 14 735 million during the year ending 31 March 2019. As at that date, the Company's total liabilities exceeded its total assets by R 1 207 730 million. As stated in the note, these conditions, along with the other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Responsibilities of the accounting authority for the financial statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the accounting authority is responsible for assessing the Broadband Infraco SOC Limited's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the public entity or to cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with respect to the selected subject matters.

Auditor's responsibilities for the audit of the financial statements (continued)

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available at the date of the auditor's report.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion
- communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit
- confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, related safeguards

From the matters communicated to those charged with governance, we determine those matters that were of the most significance in the audit of the financial statements of the current period and are therefore key audit matters. We describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information which must be based on the approved performance planning documents of the entity. We have not evaluated the completeness and appropriateness of the performance indicator established and included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the report for the directors of Broadband Infraco SOC Limited and set out on **pages 45 to 47** of the annual report for the year ending 31 March 2019:

Key Performance Area	Pages in the annual performance report
Objective 1 – Ensure long-term Financial Sustainability.	45
Objective 2 – Expand and maintain broadband infrastructure	46
Objective 3 – Drive socio-economic transformation	46 - 47
Objective 4 – Build high performance organisation	47

Introduction and scope (continued)

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the objectives.

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of the Public Entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Expenditure Management

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R54 million (2018: R1.6 million) as required by section 51(1) (b) (ii) of the PFMA. The majority of the irregular expenditure disclosed in the financial statements was caused by goods/services not being procured through a procurement process which is fair, equitable, transparent and competitive as required by section 51(1) (a) (iii) of the PFMA.

Effective steps were not taken, in all instances, to prevent fruitless and wasteful expenditure amounting to R17 thousand (2018: R23 thousand) as disclosed in Note 29 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Procurement and contract management

Goods, works or services were not always procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1) (a) (iii) of the PFMA.

Other information

The directors responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the Company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Internal control deficiencies

We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

The accounting authority did not exercise adequate oversight responsibility regarding compliance with applicable legislation and related internal controls that resulted in the lack of proper procurement and contract management processes. Action plans developed to address internal control deficiencies were not, in all, instances adequate.

Other reports

Investigations

There were no investigations carried out in the current financial period.

Agreed upon procedure engagements

Agreed-upon procedure engagements were performed on the following:

- National Treasury consolidation template that covered the period from 1 April 2018 to 31 March 2019.

Auditor's tenure

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Grant Thornton have been the auditors of Broadband Infraco SOC Ltd for 3 years.

Nkanyiso Ngobese
SizweNtsalubaGobodo Grant Thornton Inc.

Director
Registered Auditor
31 July 2019

20 Morris Street East, Woodmead, 2191

ANNUAL FINANCIAL STATEMENTS
Directors' Report

The directors have pleasure in submitting their report on the Annual Financial Statements of Broadband Infraco SOC Limited for the year ended 31 March 2019.

1. Review of financial results and activities

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards, the Public Finance Management Act and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Company revenue increased by 8% from R 379,2 million in the prior year to R410,9 million for the year ended 31 March 2019.

Company cash generated from operations increased by 219% from R47 million in the prior year to R149 million for the year ended 31 March 2019.

2. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

3. Events after the reporting period

The Shareholders are in an advanced stage of undertaking relevant processes and approvals to convert the Shareholders' loans into equity.

4. Going concern

The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the Annual Financial Statements have been prepared on a going concern basis. The directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

5. Auditors

SNG Grant Thornton continued in office as auditors for the Company since 2017. Their three year term is coming to an in 2019.

At the AGM, the Shareholders will be requested to appoint new auditors as the independent external auditors of the Company, after the conclusion of the procurement process, for the 2020 financial year.

6. Secretary

The Company secretary is Mr F Mohamed.

7. Approval of Annual Financial Statements

The Annual Financial Statements set out on pages 102 to 145, which have been prepared on the going concern basis, were approved by the Board of directors on 29 July 2019, and were signed on its behalf by:

MC Ngcobo
Chairman of the Board

AD Matseke
Chief Executive Officer

ANNUAL FINANCIAL STATEMENTS
Statement of Financial Position as at 31 March 2019

	Note(s)	2019 R '000	2018 R '000
Assets			
Non-Current Assets			
Property, plant and equipment	3	1 053 738	1 080 789
Intangible assets	4	91 020	58 342
Prepayments	5	10 372	12 836
		1 155 130	**1 151 967**
Current Assets			
Prepayments	5	6 131	2 760
Trade and other receivables	6	90 777	75 915
Cash and cash equivalents	7	95 140	19 550
		192 048	**98 225**
Total Assets		**1 347 178**	**1 250 192**
Equity and Liabilities			
Equity			
Retained income		(1 207 731)	(1 192 995)
Liabilities			
Non-Current Liabilities			
Loans from Shareholders	8	1 369 953	1 274 375
Deferred income	9	418 344	439 657
Long-term payment arrangements	10	-	17 423
Deferred gain	11	356 830	459 577
		2 145 127	**2 191 032**
Current Liabilities			
Deferred income	9	140 833	49 451
Current portion of long-term payment arrangements	10	32 014	14 422
Deferred gain	11	102 746	95 578
Trade and other payables	12	123 532	85 939
Provisions	13	10 657	6 765
		409 782	**252 155**
Total Liabilities		**2 554 909**	**2 443 187**
Total Equity and Liabilities		**1 347 178**	**1 250 192**

ANNUAL FINANCIAL STATEMENTS
Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2019 R '000	2018 R '000
Revenue	16	410 915	379 200
Cost of sales	17	(181 323)	(187 304)
Gross profit		**229 592**	**191 896**
Other operating income	18	178 483	89 567
Other operating expenses	19	(320 605)	(304 124)
Operating profit (loss)		**87 470**	**(22 661)**
Investment income	22	4 400	3 634
Finance costs	23	(106 284)	(94 116)
Loss before taxation		**(14 414)**	**(113 143)**
Taxation	24	(322)	(328)
Loss for the year		**(14 736)**	**(113 471)**
Other comprehensive income		–	-
Total comprehensive loss for the year		**(14 736)**	**(113 471)**

ANNUAL FINANCIAL STATEMENTS
Statement of Changes in Equity

	Retained income R '000	Total equity R '000
Balance at 01 April 2017	**(1 079 524)**	**(1 079 524)**
Loss for the year	(113 471)	(113 471)
Other comprehensive income	–	–
Total comprehensive Loss for the year	**(113 471)**	**(113 471)**
Balance at 01 April 2018	**(1 192 995)**	**(1 192 995)**
Loss for the year	(14 736)	(14 736)
Other comprehensive income	–	–
Total comprehensive Loss for the year	**(14 736)**	**(14 736)**
Balance at 31 March 2019	**(1 207 731)**	**(1 207 731)**

ANNUAL FINANCIAL STATEMENTS
Statement of Cash Flows

	Note(s)	2019 R '000	2018 R '000
Cash flows from operating activities			
Cash generated from operations	26	149 447	46 655
Interest income		4 400	3 634
Finance costs		(10 705)	(5 206)
Net cash from operating activities		**143 142**	**45 083**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(68 017)	(40 556)
Sale of property, plant and equipment	3	328	657
Purchase of other intangible assets	4	(32)	(574)
Net cash from investing activities		**(67 721)**	**(40 473)**
Cash flows from financing activities			
Decrease in long-term payment arrangements		-	(20 575)
Increase in long-term payment arrangements		169	-
Net cash from financing activities		**169**	**(20 575)**
Total cash movement for the year		**75 590**	**(15 965)**
Cash at the beginning of the year		19 550	35 515
Total cash at end of the year	**7**	**95 140**	**19 550**

ANNUAL FINANCIAL STATEMENTS
Accounting Policies

Corporate information

Broadband Infraco SOC Limited is a public Company incorporated and domiciled in South Africa. The address of the Company's registered office is Country Club Estate, Building 9, 21 Woodlands Drive, Woodmead, 2146. The Company is owned by the South African Government and is primarily involved in the establishment of a national long-distance fibre-optic network and the establishment of an international marine-cable network deployed between South Africa and the United Kingdom.

The Annual Financial Statements for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors on 29 July 2019.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these Annual Financial Statements are set out below.

1.1 Basis of preparation

The Annual Financial Statements have been prepared in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS"), Public Finance Management Act No.1 of 1999 and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these Annual Financial Statements and the Companies Act 71 of 2008.

Management have assessed whether Broadband Infraco meets the criteria listed in paragraph 7 of Directive 12: Selection of an appropriate reporting framework by public entities issued by the Accounting Standards Board. This assessment is highlighted below:

- The Company's operations are commercial in nature
  Management has assessed that the operations of Broadband Infraco, currently and for the foreseeable future, is commercial in nature as the Company's overall financial objective is to provide goods and services to generate a profit.

- Only an insignificant portion of the Company's funding is acquired through government grants or other forms of financial assistance from government
  Broadband Infraco does not currently nor are there any indication that they will at any time in the future, receive any funding or financial assistance from government.

Based on the assessment, Management are of the view that the most appropriate reporting framework for Broadband Infraco would be to continue to report in terms of IFRS.

The Annual Financial Statements have been prepared on the historic cost basis, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in South African thousand rands, which is the Company's functional currency and rounded to the nearest R '000.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Recognition of deferred tax asset

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences (as applicable) to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. The group applies judgement in assessing whether future taxable profits will be available.

Future taxable profits are determined based on business plans for individual subsidiaries in the group and the probable reversal of taxable temporary differences in future.

Based on past experience of the financial performance of the entity, the deferred tax asset arising from accumulated tax losses incurred has not been recognised, as it is not probable that taxable profit will be available against which the loss can be utilised.

The cumulative estimated tax loss on which no deferred tax has been recognised is disclosed in note 6.

Going concern

The Company's Directors have assessed the appropriateness of the application of going concern principle as the basis owing to the material uncertainty that exists and have assessed it as being appropriate.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Following due consideration of the operating budgets, an assessment of the funding requirements, solvency and liquidity, cash flow forecasts and other pertinent issues, the directors have concluded that the Company has adequate resources and Shareholder support (if required) to enable the Company to continue operations for the foreseeable future. For these reasons, the financial statements have been prepared on a going concern basis.

Details of the considerations are detailed in note 28.

Impairment of financial instruments

The group has elected the simplified approach to recognise lifetime expected losses for its trade and finance lease receivables and contract assets as permitted by IFRS 9. The group has assessed and concluded that due to the short-term nature of its trade and other receivable balances, the trade receivable balances are not significantly exposed to the impact of changes in the macro-economic environment. The provision model will therefore not include economic environmental changes as assumptions applied in deriving the expected loss on its trade, other receivables and finance lease receivables. Impairment losses calculated using the simplified approach are calculated using a provision matrix. The provision matrix is a probability weighted model which applies an expected loss percentage, based on the net write-off history experienced on receivables, to each ageing category of receivables at the end of each month in order to calculate the total provision to be raised on the receivable balances. Receivables have been grouped together based on similar credit characteristics and a separate expected loss provision matrix has been calculated for each of the categories based on the net loss history associated to the specific category of receivable.

Twelve month expected credit losses are calculated for cash and cash equivalents using the general approach. Impairments of all other financial assets that are not measured using the simplified approach will be calculated as the difference between the carrying value of the asset and the present value of the expected cash flows, discounted at the original effective interest rate of the instrument.

Impairment of non financial assets

The Company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be fully recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Management performs a fair valuation of the Company in their consideration of the impairment of the Cash Generating Unit as required by IAS 36, Impairment of Assets.

The fair value of the Company business in use is assessed using the Discounted Cash flow (DCF) model. The DCF was based on the 5 year corporate plan that was approved by the Board of Directors and tabled in parliament.

Management assumed a weighted average cost of capital discount rate of 13.45%. The discount rate was independently calculated, taking into account independently gathered data to ensure that the rate is within an acceptable range.

Useful lives of property, plant and equipment and Intangible

Management assess the appropriateness of the useful lives and residual values of property, plant and equipment and intangibles at the end of each reporting period. The useful lives of network infrastructure, spares and test equipment, office equipment, motor vehicles and computer equipment are determined based on Company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 13.

Long term liabilities

Long-term liabilities are comprised of obligations on which deferred payment arrangements have been made with the counter-parties.

Long-term liabilities are measured at the present value of the obligation, based on the interest rate applicable. When no interest is chargeable, the present value is measured at taking into account the expected return that a market participant would demand as repayment immediately in order to obtain a better return elsewhere.

Shareholders' loans

The Shareholders' loans comprises loans with no current repayment terms and are interest free; only payable once the Company's assets, fairly valued, exceed the fair value of its liabilities.

The loans have been measured at the present value of the obligation, based on the interest rate per the Subscription and Shareholders' Agreement, should the Shareholders decide to charge interest.

It is the intention of the Shareholders to convert the loans to equity, hence the term of the obligation was measured taking this into consideration.

Recognition of revenue

As revenue from broadband services and maintenance services are recognised over time, the amount of revenue recognise in a reporting period depends on the extent to which the performance obligation has been satisfied.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost at the time they are incurred. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. Day-to-day servicing costs are included in profit or loss in the year in which they are incurred.

Major spare parts and standby equipment which are expected to be used for more than one year are included in property, plant and equipment, and depreciated at a similar rate with the related equipment.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Company. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or de-recognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Network Infrastructure	Straight line	5-20 years
Capital - Work in Progress	Not depreciated	-
Spares and test equipment	Straight line	5-15 years
Office equipment	Straight line	10 years
Computer equipment	Straight line	3-6 years
Motor vehicles	Straight line	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Capital Work in Progress (WIP) refers to the network under construction. WIP is recorded at the cost price and transferred to equipment once the asset is ready for use.

1.4 Intangible assets

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost at the they are incurred, less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisations provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

An intangible asset is de-recognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the de-recognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, is included in profit or loss when the asset is de-recognised.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

1.4 Intangible assets (continued)

Item	Useful life
Servitudes	Not amortised
Computer software	5-7 years

1.5 Financial instruments

Policy applicable before 1 April 2018

Classification

The Company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires.

Impairment of financial assets

At each reporting date the Company assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Debtors are assessed on an individual basis and the probability of debt collection determined. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

Policy applicable after 1 April 2018

Classification and reclassification

Classification depends on the business model of the Company as well as the cash flow characteristics of the instrument itself and takes place at initial recognition. Classification of financial assets are re-assessed only when the Company's business model for managing the financial assets change. The Company do not reclassify financial liabilities.

The Company classifies non-derivative financial assets into the following categories:

- Financial assets measured at amortised cost

The Company classifies non-derivative financial liabilities into the following categories:

- Financial liabilities measured at amortised cost

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Company are presented below.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

Trade and other receivables

Trade and other receivables comprise of trade receivables, trade receivables with related parties, retention debtors and other receivables. Trade and other receivables exclude, when applicable, VAT receivable and prepayments.

Trade and other receivables are classified as financial assets measured at amortised cost due to the Company's business model whose objective it is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company initially recognises trade and other receivables when the Company becomes party to the contractual provisions at the instrument. The trade and other receivables are measured initially at their transaction price, if at initial recognition of the trade and other receivable the Company expects to receive payment within one year or less from date that the goods or services were transferred to the customer. All other trade and other receivables are initially measured at fair value plus or minus transaction cost.

Trade and other receivables are subsequently measured at amortised cost.

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income in note 22.

Cash and cash equivalents

Cash and cash equivalents comprise of cash balance, cash on hand and short term deposits with maturities of three months or less, from date of acquisition, and that are subject to an insignificant risk of change in their fair value and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are initially and subsequently measured at fair value.

All cash resources are placed with reputable financial institutions. The credit ratings are based on the Moody's ratings for each of the banks and the related Probabilities of Default (PD) are based on the Moody's and S&P tables. A Loss Given Default (LGD) of 40% was applied to all the banks based on the updated Basel framework which stipulates a minimum of 40% for unsecured exposures.

Non-derivative financial liabilities

Non-financial liabilities comprises of trade payables, trade payables due to related parties, other payables, amounts owing to Company. Non-derivative financial liabilities exclude, when applicable, VAT payable and amounts received in advance.

Non-derivative financial liabilities are recognised on the trade date when the Company becomes a party to the contractual provisions of the instrument. The Non-derivative financial liabilities are measured initially at fair value plus any transaction cost. Any differences between the fair value and the transaction prices, if applicable, is recognised in profit or loss.

Non-derivative financial liabilities are subsequently measured at amortised cost.

Impairment

Trade and other receivables

The Company recognise a loss allowance for expected credit losses on trade and other receivables at each reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses.

The Company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate. The customer base is diverse with significantly different loss patterns for different customer segments. The Company aggregates customer segments which share similar credit risk characteristics for purposes of determining the credit loss allowance. Details of the provision matrix, per grouping, is presented in note 5.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in profit or loss under operating expenses.

De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Company derecognise financial liabilities with its contractual obligation are discharged or cancelled, or expired.

De-recognition gains and losses are included in profit and loss.

1.6 Tax

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Company shall offset current tax assets and current tax liabilities if, and only if, the Company: has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the inability simultaneously

A Company shall offset deferred tax assets and deferred tax liabilities if, and only if:

- The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable Company; or
  - (ii) different taxable companies which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or operating lease liability. This asset and liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.8 Impairment of non-financial assets

The Company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

A Company assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of a Company after deducting all of its liabilities.

1.10 Shareholders' loans

Loans advanced by Shareholders where the Company has a present contractual obligation to repay, the amounts received are classified as long-term liabilities.

The loans are initially measured at fair value at recognition date, and are subsequently measured at amortised cost using the effective interest rate method.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, i.e. those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care, are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.12 Provisions

Provisions are recognised when:

- the Company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

If the Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.13 Revenue

Policy applicable before 1 April 2018

Sale of Broadband services

Sale of services on the national and international back-haul network facilities, based on the usage for the month and co- location services and billed at the beginning of each month.

Irrefutable right of use income

Revenue is deferred in accordance with the revenue recognition principles over the period of the contract. The revenue is recognised on a monthly basis.

Operations and maintenance

Operations and maintenance services done on behalf of customers and billed in respect of irrefutable right of use contracts.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

All revenue earned by the Company is from the rendering of services and is recognised in equal portions over the full duration of the agreement.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and Value Added Tax (VAT).

Finance income is recognised, in profit or loss, using the effective interest rate method.

The Company has not disclosed comparative information, because it has applied the modified retrospective approach, without restating comparative information. The Company has therefore continued to report the comparative information under IAS 18.

1.13 Revenue (continued)

Policy applicable after 1 April 2018

Revenue from contracts with customers

The Company principally generates revenue from the sale of broadband services and maintenance services.

Products and services may be sold separately or in bundled packages. The typical length of a contract varies between 6 and 240 months.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or services to a customer.

For bundled packages, the Company accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it.

The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sells broadband services and maintenance services.

Broadband services are provided based on a range of service availability and rebates are paid to customers where the service level agreements are not met. The variable consideration inherent in each contract is in the form of those rebates.

The historical rebates are immaterial compared to the available percentage rebate that was agreed per SLA. It is likely that if the actual percentage level taken into account, it will result in a significant reversal, therefore the rebate variance is not taken into account in the allocation of the transaction price.

The transaction price is determined by considering the stand-alone contract price which is determined by referring to services required by the customer. Variable considerations such as a percentage service level are considered and included.

There are no non-cash considerations and no considerations is payable to the customer. The transaction price is allocated on a standalone selling price basis.

The main categories of revenue and the bases of recognition are as follows:

Sale of broadband services

The Company provides broadband services through its national and international back-haul network facilities. In addition the Company earns installation fees for installation services attached to the provision of the broadband services.

The broadband service is highly dependent and interrelated with the installation services. The broadband service and installation services are therefore viewed as a single performance obligation. Customers either pay in advance for these services (see irrefutable rights of income below) or pay monthly in equal instalments over the contractual period.

Sale of maintenance services

The Company recognises revenue from these services as they are provided. Revenue is recognised on the basis of direct measurement of the value of services transferred to the customer at the date relative to the remaining broadband services and operations and maintenance promised under each contract.

Irrefutable rights of use income

Some contracts may require an upfront payment which is the typical payment terms of the industry in which the Company operates. The primary purpose of those payment terms may be to provide the customer with assurance that the Company will complete its obligations satisfactorily under the contract, rather than to provide financing to the customer, therefore there is no significant financing component that exists.

Revenue is deferred in accordance over the period of the contract. The revenue is recognised on a monthly basis as the services are rendered.

1.14 Cost of sales

The related cost of providing services recognised as revenue in the current period is included in cost of sales.
Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in South African Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period, foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Annual Financial Statements are recognised in profit or loss in the period in which they arise.

ANNUAL FINANCIAL STATEMENTS
Accounting Policies (continued)

1.15 Translation of foreign currencies (continued)

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.16 Related parties

Related-party transactions are defined as transactions with entities that have the same controlling Shareholder as the Company and transactions with directors and key management and their families and entities controlled or jointly controlled by these individuals as well as other major public entities.

1.17 Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or settle on a net basis, all related financial effects are offset.

1.18 Deferred Income

Deferred income relates to revenue received under Irrefutable Rights of Use (IRU) agreements of which services are prepaid by the customer on commissioning of services. The revenue will be recognised on a monthly basis when the service is provided over the period of the agreement.

1.19 Operating Segments

The Company's operating activities are conducted in one segment and there is no product and geographical segments to report on.

1.20 Irregular expenditure

Irregular expenditure is recorded in the notes to the Annual Financial Statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful refers to a transaction, event or condition which was undertaken without value or substance and which did not yield any desired results or outcome. Reasonable care means applying due diligence (careful application, attentiveness, caution) to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level.

1.22 Deferred gains

Gains representing the difference between the fair value of the financial liabilities at recognition and date and the transaction price, are recognised as follows:

- Those resulting from a fair value that is evidenced by quoted price in an active market from an asset or liability, or based on valuation technique that uses only data from observable markets, are recognised in profit or loss at the initial recognition date;
- In all other cases, deferred and recognised in profit or loss to the extent of the change in valuation factors used, including the remaining valuation period.

1.23 Prepayments made

Prepayment comprise Irrefutable Right of Use services contracted for by the Company to serve future capacity on critical routes. Prepayments are initially recognised at fair value and subsequently at amortised cost.

1.24 Events after reporting date

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Recognised amounts in the financial statements are adjusted to reflect events arising after the statement of financial position date that provide evidence of conditions that existed at the statement of financial position date. Events after the statement of financial position date that are indicative of conditions that arose after the statement of financial position date are disclosed in note 33.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The Company has adopted the amendment for the first time in the 2019 annual financial statements.

The impact of the amendment is set out in note 34 Changes in Accounting Policy.

2.1 Standards and interpretations effective and adopted in the current year (continued)

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an Company's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The Company has adopted the standard for the first time in the 2019 Annual Financial Statements.

The impact of the standard is set out in note 34 Changes in Accounting Policy.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. An Company recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the Company satisfies a performance obligation.
- IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2018.

The Company has adopted the standard for the first time in the 2019 Annual Financial Statements.

The impact of the standard is set out in note 34 Changes in Accounting Policy.

2.2 Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 01 April 2019 or later periods:

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.

The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.

- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.

2.2 Standards and interpretations not yet effective (continued)

- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of- use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

The Company expects to adopt the standard for the first time in the 2020 Annual Financial Statements.

The impact of this standard is currently being assessed.

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Notes to the Annual Financial Statements (continued)

3. Property plant and equipment

Figures in Rand thousand	2019 Cost or revaluation	2019 Accumulated depreciation	2019 Carrying value	2018 Cost or revaluation	2018 Accumulated depreciation	2018 Carrying value
Motor vehicles	5 205	(4 323)	882	5 555	(3 490)	2 065
Office equipment	11 102	(7 351)	3 751	11 099	(6 307)	4 792
Computer equipment	18 898	(16 335)	2 563	18 289	(15 885)	2 404
Network Infrastructure	2 205 875	(1 273 931)	931 944	2 113 326	(1 128 322)	985 004
Spares and test equipment	39 386	(17 186)	22 200	21 633	(16 075)	5 558
Capital - Work in progress	92 398	-	92 398	80 966	-	80 966
Total	**2 372 864**	**(1 319 126)**	**1 053 738**	**2 250 868**	**(1 170 079)**	**1 080 789**

Reconciliation of property plant and equipment - 2019

Figures in Rand thousand	Opening balance	Additions	Disposals	Transfers	Other changes movements	Depreciation	Total
Motor vehicles	2 065	-	(71)	-	-	(1 112)	882
Office equipment	4 792	3	-	-	-	(1 044)	3 751
Computer equipment	2 404	849	(61)	203	-	(832)	2 563
Network Infrastructure	985 004	3 132	(196)	90 966	-	(146 962)	931 944
Spares and test equipment	5 558	17 752	-	-	-	(1 110)	22 200
Capital - Work in progress	80 966	145 972	-	(134 864)	324	-	92 398
	1 080 789	**167 708**	**(328)**	**(43 695)**	**324**	**(151 060)**	**1 053 738**

Reconciliation of property plant and equipment - 2018

Figures in Rand thousand	Opening balance	Additions	Disposals	Transfers	Decom-missioning liability	Other changes movements	Depreciation	Total
Motor vehicles	3 417	-	(227)	-	-	-	(1 125)	2 065
Office equipment	5 597	-	(96)	525	-	-	(1 234)	4 792
Computer equipment	1 700	2 233	(68)	(203)	-	-	(1 258)	2 404
Network infrastructure	999 924	8 632	(53)	118 003	(3 549)	(2 434)	(135 520)	985 004
Spares and test equipment	2 593	-	-	5 713	-	-	(2 748)	5 558
Capital - Work in progress	189 003	29 691	-	(135 810)	-	(1 918)	-	80 966
	1 202 234	**40 556**	**(444)**	**(11 771)**	**(3 549)**	**(4 352)**	**(141 885)**	**1 080 789**

3. Property plant and equipment (continued)

Included in Network Infrastructure is the 5.1 Terabit/s West Africa Cable System (WACS) project. The cable connects South Africa to the United Kingdom with landing stations in Portugal and 12 other countries along the West Coast of Africa. The Company is a Tier 1 investor in the 5.1 Terabit/s West Africa Cable System and is part of the consortium that jointly controls the WACS asset. The net asset value of the cable is R 329 294 483.

The Company has full right of use of these assets without any restriction.

None of the property plant and equipment have been pledged as security nor does the Company have any contractual commitments to acquire property plant and equipment.

Transfers reflect the movements between work in progress and the different asset categories upon completion of a project. Other changes movements are items that do not meet the asset recognition criteria and were derecognised.

Reconciliation between property, plant and equipment and statement of cash flows

	2019 R'000	2018 R '000
Additions per property plant and equipment	167 708	40 556
Additions per statement of cash flows	(68 017)	(40 556)
Difference	**99 691**	**-**
Difference made up as follows:		
Free of charge equipment received (note 18)	82 679	-
Capitalisation of spares	17 012	-
	99 691	**-**

4. Intangible assets

	2019			2018		
	Cost/ Valuation	Accumulated amortisation	Carrying value	Cost/ Valuation	Accumulated amortisation	Carrying value
Computer software	116 333	(38 024)	78 309	72 605	(26 974)	45 631
Servitudes	12 711	-	12 711	12 711	-	12 711
Total	**129 044**	**(38 024)**	**91 020**	**85 316**	**(26 974)**	**58 342**

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	45 631	32	43 695	(11 049)	78 309
Servitudes	12 711	-	-	-	12 711
	58 342	**32**	**43 695**	**(11 049)**	**91 020**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

4. Intangible assets (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	42 642	574	11 548	(9 133)	45 631
Servitudes	12 487	-	224	-	12 711
	55 129	**574**	**11 771**	**(9 133)**	**58 342**

Intangible assets consist of servitudes licences and software acquired and is measured at cost less accumulated amortisation on a straight-line basis over expected useful lives. The Company has full right of use of these assets without any restriction.

Servitudes are any leases right of use or other real rights in or over land which existed immediately prior to the commencement of the Infraco Act for the conveyance or provision of telecommunication facilities.

None of the intangible assets have been pledged as security.

There are no contractual commitments outstanding at the end of the reporting period.

Transfers reflect the movements between work in progress and the different asset categories upon completion of a project.

5. Prepayments

	2019 R'000	2018 R '000
Insurance	1 844	1 892
Operating expenses	3 458	1 364
Irrefutable Right of Use	11 201	12 340
	16 503	**15 596**
Non-Current Assets	10 372	12 836
Current Assets	6 131	2 760
	16 503	**15 596**

6. Trade and other receivables

Financial instruments at amortised costs:		
Trade receivables	90 769	76 547
Loss allowance	(5 351)	(1 731)
	85 418	74 816
Non-financial instruments:		
VAT	4 276	-
Deposits	1 002	1 058
Accrued interest	81	41
Total trade and other receivables	**90 777**	**75 915**
Split between non-current and current portions		
Current assets	90 777	75 915

Trade and other receivables pledged as security

The Company has not pledged any trade and other receivables as collateral.

Exposure to credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which the customers operate, has a major influence on credit risk.

The Company has established a policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's review includes external ratings when available and in some cases bank references. Exposure limits are established for each customer in accordance with the approved contracts and the Company's approval framework.

The majority of the Company's customers have had transactions with the Company over the years and losses have occurred infrequently.

The Company does not require collateral in respect of trade and other receivables as it mainly renders services to major companies in the industry in which the Company operates.

The Company established an allowance for impairment that represents its estimated and anticipated losses in respect of trade and other receivables.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

6. Trade and other receivables (continued)

The historical impairment loss rate has been defined as the historical impairment provision for each risk category of debtor as a percentage of total historical revenue. The period of history used should be identical to the historical period used in calculating the historical write-off percentage.

The historical loss rate for foreign and local large customers were assessed at 0%. This is because the probability that any of the customers belonging to any of these categories being impaired is close to zero.

The creation and release of allowance for impairment have been included in the operating expenses in profit or loss. Trade receivables are generally written off when there is no expectation of recovering additional cash.

The following loss rates were adopted for local medium sized customers:

	2019 Estimated gross carrying amount at default	2019 Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:		
Not past due: 2.4%	1 610	39
31 - 60 days past due: 3.6%	904	33
61 - 90 days past due: 5.1%	844	43
91 - 120 days past due: 9.1%	829	75
121 - 150 days past due: 22.5%	806	181
151 - 180 days past due: 46.8%	986	461
More than 181 days past due: 100%	4 519	4 518
Total	**10 498**	**5 351**

Credit risk disclosures for comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Trade and other receivables past due but not impaired

Trade and other receivables that are past due but have not been impaired are as follows:

	2019 R '000
Trade receivables	23 259
Deposits	1 058
	24 317

6. Trade and other receivables (continued)

	2018 R '000

Trade and other receivables impaired

As of 31 March 2018 trade and other receivables of R 1 192 995 were impaired and provided for.

Reconciliation of allowance for impairment of trade and other receivables as at 31 March 2018	
Opening balance in accordance with IAS 39	1 731
Adjustment on initial application of IFRS 9	(239)
Adjusted opening balance	1 492
Loss allowance increase for new trade and other receivables recognised in the current year	3 859
	5 351

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above. The Company does not hold any collateral as security.

The historical impairment loss rate has been defined as the historical impairment provision for each risk category of debtor as a percentage of total historical revenue. The period of history used should be identical to the historical period used in calculating the Historical write-off percentage.

The historical loss rate for foreign and local large clients were assessed at 0%. This is because the probability that any of the customers belonging to any of these categories being impaired is close to zero.

The historical loss rate was calculated using the most possible customers resulting in bad debts. This was done as the Company has never experienced the write-off of any amounts owing to it. The accounts identified is most likely to result in an impairment.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

Credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

The Company does not require collateral in respect of trade and other receivables as it mainly renders services to major companies in the industry in which the Company operates.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

7. Cash and cash equivalents

	2019 R'000	2018 R '000
Cash and cash equivalents consist of:		
Current accounts	715	1 827
Short-term deposits	94 425	17 723
	95 140	**19 550**

Included in the short-term deposits balance is amounts received in advance which is disclosed as a deferred income in note 9, for services not yet rendered as stated below:

Ultimate Holding Company	57 378	-
International Company	8 799	-
	66 177	**-**

Credit quality of cash at bank and cash and cash equivalents, excluding cash on hand

The credit quality of cash at bank and cash and cash equivalents, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates given that the credit quality of the expected credit losses were determined to be immaterial.

Fair value

The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of these financial assets.

8. Loans from Shareholders

Department of Telecommunications and Postal Services	1 011 727	941 141
Industrial Development Corporation of South Africa	358 228	333 234
	1 369 953	**1 274 375**

The loans are unsecured have no fixed terms of repayment bear no interest and are subordinated by the Shareholders to the Company. The agreement states that the loan may be repaid subject to the availability of funds from time to time however this is based on a mutual agreement between the Shareholders and the Company. The nominal amount of the loans are R 1 829 530 before being discounted and restated at the value above. The period and the interest rate used to discount the Shareholder loans are 15 years and 7.5% (Johannesburg Inter Bank Repo Rate plus one) respectively.

9. Deferred income

Deferred income relates to revenue received under Irrefutable Rights of Use (IRU) contracts of which services are prepaid by customers on commissioning of the services. These amounts are received in advance and revenue is recognised on a monthly basis over the contract term as the services are being rendered.

	2019 R'000	2018 R '000
Non-current liabilities	418 344	439 657
Current liabilities	140 833	49 451
	559 177	**489 108**
Reconciliation of deferred income		
Opening Balance	489 108	512 487
Payments received	120 941	6 429
Revenue recognised in the reporting period that was included in the opening balance	(46 175)	(83 502)
Revenue recognised in the reporting period from new contracts concluded	(4 697)	(4 168)
Closing balance	**559 177**	**431 246**

The increase in deferred income is due to higher payments received in advance.

10. Non-current liabilities

The amounts included in long-term liabilities are as follows:		
Deferred maintenance payments	-	31 845
Non-current liabilities	-	17 423
Current liabilities	32 014	14 422
	32 014	**31 845**

11. Deferred gain

Deferred gain relates to the day one gain recognised on the differences between the present value of the Shareholders' loans and the consideration paid.

Non-current Liabilities	356 830	459 577
Current Liabilities	102 746	95 578
	459 576	**555 155**
Reconciliation of deferred gain		
Opening balance	555 155	644 065
Recognised in profit and loss	(95 579)	(88 910)
Closing balance	**459 576**	**555 155**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

12. Trade and other payables

	2019 R'000	2018 R '000
Financial instruments:		
Trade payables	115 072	76 252
Salary payables	-	6
Straight lining of leases	1 396	1 050
Accrued leave pay	3 821	4 628
External audit	861	820
Deposits received	26	-
PAYE	2 356	2 219
Non-financial instruments:		
VAT	-	964
	123 532	**85 939**

13. Provisions

Reconciliation of provisions - 2019

	Opening balance	Addition	Utilised during the year	Reversed during the year	Total
Legal proceedings	1 000	-	(44)	(356)	600
Retention bonus	4 216	2 230	-	-	6 446
Other provisions	1 549	2 062	-	-	3 611
	6 765	**4 292**	**(44)**	**(356)**	**10 657**

Reconciliation of provisions - 2018

Legal proceedings	1 200	280	(480)	-	1 000
Retention bonus	6 624	6 653	(3 223)	(5 838)	4 216
Other provisions	7 469	-	-	(5 920)	1 549
	15 293	**6 933**	**(3 703)**	**(11 758)**	**6 765**

Legal proceedings

The provision relates to legal costs for the drafting of a loan facility agreement. The timing of the repayment is subject to Broadband Infraco being granted the loan facility.

Retention bonus

The retention bonus provision relates to reviews to be completed with qualifying personnel based on individuals' and Company's performance after year-end. It is probable that the Board may approve a payout to qualifying staff in the following financial year as an enabler to retain core skills within the Company. The retention bonus is based on management estimates.

Other provisions

The other provisions relates to the provision for credit notes.

14. Deferred tax

Deferred tax liability

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction and the law allows net settlement. Therefore they have been offset in the statement of financial position as follows:

	2019 R'000	2018 R '000
Reconciliation of deferred tax asset		
Movement in temporary differences	20 317	(7 572)
Deferred tax assets not recognised	(20 317)	7 572
At end of the year	-	-

Deferred tax rates

The deferred tax rate applied to the fair value adjustments of investment property/ financial assets is determined by the expected manner of recovery. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2018: 28%) is applied.

Recognised (cumulative balances)

Straight-lining of lease liabilities	313	294
Capital allowances	9 316	(1 029)
Prepayments	(1 645)	(324)
Provision for bad debts	1 498	486
Leave pay accrual	1 070	1 296
Bonus provision	2 478	1 180
Other provisions	1 179	280
Unrealised foreign exchange differences	(64)	198
Deferred income	133 771	136 950
Deferred tax asset not recognised	(147 916)	(139 331)
	-	-

The unused tax credits amount to R 322 120 (2018: R 327 616) the amounts will expire between 15 October 2021 and 12 December 2021. The unused tax losses amount to R 758 264 407 (2018: R 739 358 214).

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

15. Share capital

	2019 R'000	2018 R '000
Authorised		
Ordinary	1	1
Reconciliation of number of shares issued:		
Reported as at 01 April 2018	1	1
Issued		
Ordinary*	-	-

Shares are held as follows:

- 74 ordinary shares held by the State represented by Department of Telecommunications and Postal Services.
- 26 ordinary shares held by the Industrial Development Corporation of South Africa.

Unissued shares are controlled by the Executive Authority (The Minister of Communications and Digital Technologies).

- Amounts less than R1 000.

16. Revenue

	2019	2018
Revenue from contracts with customers		
Rendering of services	**410 915**	**379 200**
Disaggregation of revenue from contracts with customers		
The Company disaggregates revenue from customers per type of service as follows:		
Rendering of services		
Sale of broadband services	386 378	355 764
Operations and maintenance	24 537	23 436
	410 915	**379 200**
Local		
Broadband services	366 358	339 804
Operations and maintenance	19 273	21 260
	385 631	**361 064**
Foreign		
Broadband services	20 020	15 960
Operations and maintenance	5 264	2 117
	25 284	**18 077**
Timing of revenue recognition		
Over time		
Rendering of services	**(410 915)**	**(379 200)**

17. Cost of sales

	2019 R'000	2018 R '000
Rendering of services	**181 323**	**187 304**
Rendering of services		
Cost of broadband services	110 364	106 969
Maintenance	70 959	80 335
	181 323	**187 304**

18. Other operating income

Compensation from insurance claims	226	657
Free of charge equipment received	82 679	-
Deferred gain recognised	95 578	88 910
	178 483	**89 567**

19. Operating expenses

Operating expenses include the following:

Employee costs		
Salaries	**95 138**	**90 656**
Directors emoluments		
Non-executive directors	2 553	2 304
Executive directors	12 606	9 044
	15 159	**11 348**
Service Fees		
Co-sourcing	12 824	7 990
Consulting and professional fees	2 342	858
External Audit fees	939	918
Legal fees	255	977
	16 360	**10 743**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

19. Operating expenses (continued)

	2019 R'000	2018 R '000
General and administrative expenses		
Advertising	1 214	883
Assets written off	508	(493)
Electricity	4 765	4 464
IT expenses	2 523	3 017
Insurance	1 483	1 334
Licence Fees	2 251	1 562
Other expenses - deductible	11 471	7 331
Recoveries - (WACS)	(11 404)	(1 931)
Repairs and maintenance	4 501	13 947
Telephone and fax	840	383
Training	1 390	326
Travel - local	4 931	2 523
	24 473	**33 346**
Operating Leases		
Premises	**7 365**	**7 012**
Provision for impairment of trade and other receivables		
Loss allowance	4 038	533

20. Employee costs

	2019 R'000	2018 R '000
Employee costs		
Basic	107 483	97 858
Commissions	2 814	4 146
	110 297	**102 004**

21. Depreciation, amortisation and impairment losses

	2019 R'000	2018 R '000
Depreciation		
Property plant and equipment	**151 060**	**141 885**
Amortisation		
Intangible assets	**11 050**	**9 133**
Total depreciation amortisation and impairment		
Depreciation	151 060	141 885
Amortisation	11 050	9 133
	162 110	**151 018**

22. Investment income

	2019 R'000	2018 R '000
Interest income		
Investments in financial assets:		
Bank	2 358	2 231
Trade and other receivables	35	17
Unrealised foreign exchange gains	2 007	1 386
Total interest income	**4 400**	**3 634**

Investment income on financial instruments which are available for sale or held to maturity are only presented for comparative purposes for financial instruments held in the prior reporting period but which were disposed of prior to the beginning current reporting period which is the date of adoption of IFRS 9: Financial Instruments. Investment income on all other financial assets has been reclassified in compliance with IFRS 9.

23. Finance costs

Realised loss on foreign exchange transaction	596	1 476
Interest paid	7 162	28
Discounted interest charge*	98 526	92 612
	106 284	**94 116**

* The discounted interest charge includes the interest portion of the interest free loans from Shareholders and the interest from the long-term liabilities.

24. Taxation

Major components of the tax expense

Current		
Foreign income tax or withholding tax - recognised in current tax for prior periods	**322**	**328**
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting loss	(14 414)	(113 143)
Tax at the applicable tax rate of 28% (2018: 28%)	(4 036)	(31 680)
Tax effect of adjustments on taxable income		
International travels	48	81
WACS recovery	(312)	(265)
Deferred tax not recognised	4 300	31 864
Botswana Withholding tax	322	328
	322	**328**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

25. Operating leases

The Company has entered into a number of lease arrangements for office space and PoP sites nationally with the most significant lease payments being for the Head Office in Woodmead until 2022.

	2019 R'000	2018 R '000
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	7 982	7 670
Between one and five years	13 574	19 496
	21 556	**27 166**

26. Cash generated from operations

Loss before taxation	(14 414)	(113 143)
Adjustments for:		
Depreciation and amortisation	162 110	151 018
Losses on disposals, scrapings and settlements of assets and liabilities	-	4 137
Interest income	(4 400)	(3 633)
Finance costs	10 705	5 206
Fair value adjustment	-	88 911
Impairment	-	3 549
Movements in provisions	3 892	(2 608)
Movement in deferred income	70 069	(23 379)
Tax receivable	(322)	(328)
Changes in working capital:		
Trade and other receivables	(14 862)	6 938
Prepayments	(907)	1 217
Long-term receivables	-	8 930
Trade and other payables	33 154	8 751
Movement in deferred gain	(95 578)	(88 910)
	149 447	**46 655**

27. Related parties

Relationships	
Holding Company	The state represented by the Department of Telecommunications and Postal Services
Shareholder with significant influence	Industrial Development Corporation of South Africa
Departments	Department of Science and Technology
Major public entities	Eskom, Transnet, Industrial Development Corporation of South Africa
Other public entities	SITA (SOC) Limited

27. Related parties (continued)

	2019 R'000	2018 R '000
Related party balances		
Related party balances - Loan accounts – Owing to related parties		
Department of Telecommunications and Postal Services	(1 351 130)	(1 351 130)
Industrial Development Corporation of South Africa	(478 400)	(478 400)
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Major Public Entities	9 232	4 572
Major Public Entities	(105 086)	(88 906)
Ultimate Holding Company	-	4 900
Deferred Income		
Departments	335 259	348 716
Ultimate holding Company	65 985	4 298
Related party transactions		
Purchases from (sales to) related parties		
Major Public Entities	105 359	88 743
Major Public Entities	(49 115)	(1 820)
Other Public Entities	(95 175)	(135 536)
Departments	-	55 253
Compensation to directors and other key management		
Short-term employee benefits - Non-executive directors	2 552	2 304
Short-term employee benefits - Executive directors	5 056	9 044
Short-term employee benefits - Key management	7 550	7 177
	15 159	**18 524**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

28. Going concern

We draw attention to the fact that at 31 March 2019 the Company had accumulated losses of R (1 207 731) and that the Company's total liabilities exceed its assets by R (1 207 731).

The Shareholders' Loans which comprise the significant portion of the total liabilities have been subordinated until such time the Company is in a position to repay the loans. IAS 1 prescribes that the Board of Directors and management of the Company should thoroughly assess the financial sustainability of the business and ensure that the business will continue without the threat of liquidation for the foreseeable future, usually regarded as at least within 12 months after reporting date. It also requires the Board and management to declare the intention to keep the Company as continuing in business for the foreseeable future with neither the intention to cease trading nor seeking protection from creditors pursuant to laws or regulation. The going concern assumption is a fundamental principle in the preparation of financial statements. Under the going concern assumption an Company is ordinarily viewed to realise its assets discharge its liabilities and obtain refinancing in the normal course of business.

Broadband Infraco has prepared its financial statements for the year ended 31 March 2019 on the basis that it will continue as a going concern for the foreseeable future thus at least the next 12 months. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities contingent obligations and commitments will occur in the ordinary course of business.

The Board of Directors has considered whether the going concern assumption is appropriate for the Company in the preparation of the Annual Financial Statements. The director's have reviewed the Company's financial performance forecast for the year 31 March 2020 as well as 31 March 2021 and in light of this review and the current financial position they are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future taking into account access to some funding in the medium term being obtained.

29. Irregular fruitless and wasteful expenditure

Irregular Expenditure

Section 1 of the Public Finance Management Act No.1 of 1999 as amended defines irregular expenditure as expenditure other than unauthorised expenditure incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation. The following amounts have been disclosed as being irregular expenditure in terms of Section 55(2)(b) of the Public Finance Management Act No.1 of 1999

	2019 R'000	2018 R '000
Irregular Expenditure		
Opening balance	1 603	-
Incurred in the current year	11 489	1 603
Incurred in the previous years identified in the current year	41 045	-
Condoned during the year	(202)	-
Closing balance*	**53 935**	**1 603**

* Internal processes to resolve these matters are in progress.

29. Irregular fruitless and wasteful expenditure (continued)

Irregular Expenditure

Irregular expenditure detail 2019

R'000	Action	Expenditure identified	Amounts condoned	Amounts removed from register	Remaining expenditure
Identified in prior years	Condoned	1 603	(202)	-	1 401
Identified in current year					
The Company continued to utilise the services after the contract negotiations with the supplier failed. There was no financial loss to Broadband Infraco.	Condonation requested	16 095	-	-	16 095
The Company continued to utilise the services after the contract negotiations with the supplier failed. There was no financial loss to Broadband Infraco.	Condonation requested	16 627	-	-	16 627
The Company continued to utilise the services after the contract expired. There was no financial loss to Broadband Infraco. Consequence management was instituted.	Condonation requested	31	-	-	31
The Company awarded a contract to a service provider based on a tender document that was not advertised for the prescribed 21 working days. There was no financial loss to Broadband Infraco.	Under investigation	9 858	-	-	9 858
The Company continued to utilise the services of a contract that renewed automatically every year, which is against the Contract Management Framework. There was no financial loss to Broadband Infraco.	Under investigation	9 923	-	-	9 923
		54 137	**(202)**	**-**	**53 935**

Irregular expenditure detail 2018

R'000	Action	Expenditure identified	Amounts condoned	Amounts removed from register	Remaining expenditure
Identified in prior years					
A staff appreciation function was held and branded T-Shirts were bought for staff as a token of appreciation. This is not allowed in terms of the cost containment measures issued by National Treasury.	Condonation requested	202	-	-	202
Management and the external auditors could not agree on the interpretation of the contract of employment and the Department of Public Enterprise State Owned Entity remuneration guidelines.	Condonation requested	1 401	-	-	1 401
		1 603	**-**	**-**	**1 603**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

29. Irregular fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure

Losses recovered or written off
Section 1 of the Public Finance Management Act No. 1 of 1999 as amended defines fruitless and wasteful expenditure as expenditure that was made in vain and would have been avoided had reasonable care been exercised.

The following losses through fruitless and wasteful expenditure have been identified as being reportable in terms of Section 55(2)(b)(iii) of the Public Finance Management Act No. 1 of 1999 as amended for the year under review:

	2019 R'000	2018 R '000
Fruitless and wasteful expenditure		
Opening balance	-	-
Identified in the current year	17	23
Written off	(17)	(23)
	-	-

	Action	Losses identified	Losses written off
Fruitless and wasteful expenditure in detail 2019			
Interest incurred from suppliers	Losses written off	17	(17)
Fruitless and wasteful expenditure in detail 2018			
Interest incurred from suppliers	Losses written off	23	(23)

30. Directors' and prescribed officer emoluments

Executive
2019

	Position	Service period in months	Directors fees	Expenses and other allowances	Total
I van Niekerk	Chief Financial Officer	12	2 326	30	2 356
A Matseke	Chief Executive Officer	12	2 670	30	2 700
			4 996	**60**	**5 056**

2018

	Position	Service period in months	Directors fees	Expenses and other allowances	Retention/ Performance Bonus*	Total
P Kwele	Chief Financial Officer	8	2 180	20	3 585	5 785
I van Niekerk	Chief Executive Officer	12	2 133	30	66	2 229
A Matseke	Chief Executive Officer	4.5	1 017	13	–	1 030
			4 996	**60**	**3 651**	**5 056**

* The performance bonus relates to bonus payments for four years between 2013 to 2016.

30. Directors' and prescribed officer emoluments (continued)

Non-executive

2019

	Position	Service period in months	Directors' fees	Total
BMC Ngcobo	Board Chairperson	12	896	896
SD Mabalayo	Board member	12	442	442
N Selamolela	Board member	12	341	341
Z Kabini	Board member	12	321	321
G Mphefu	Board member	12	269	269
J Schreiner	Board member	12	283	283
			2 552	**2 552**

2018

	Position	Service period in months	Directors' fees	Total
BMC Ngcobo	Board Chairperson	12	884	884
SD Mabalayo	Board member	12	428	428
MM Maponya	Board member	6	126	126
A Githiari	Board member	11	279	279
N Selamolela	Board member	12	357	357
M Mosweu	Board member	9	178	178
L Ramokone	Board member	3	52	52
			2 304	**2 304**

Key management

2019

	Position	Service period in months	Commission	Basic Salary	Expenses and other allowances	Total
G Zowa	Chief Technical Officer	12		2 610	30	2 640
M Mopeli	Executive: Human Resources	12		1 793	30	1 823
M Mojapelo	Executive: Compliance Risk and Audit	12		1 383	30	1 413
G Pete	Acting Chief Marketing and Sales	9	70	974	18	1 062
P Dyani	Chief Marketing and Sales Officer	3		604	8	612
			70	**7 364**	**116**	**7 550**

2018

	Position	Service period in months	Commission	Basic Salary	Expenses and other allowances	Total
G Zowa	Chief Technical Officer	12		2 305	30	2 495
G Pete	Acting Chief Marketing and Sales Officer	12		1 346	24	1 431
M Mopeli	Executive: Human Resources	12		1 696	30	1 839
M Mojapelo	Executive: Compliance Risk and Audit	12		1 312	30	1 412
				6 659	**114**	**7 177**

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

31. Financial instruments and risk management

31.1 Categories of financial instruments

Categories of financial assets

2019

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	6	90 777	90 777	90 777
Cash and cash equivalents	7	95 140	95 140	95 140
		185 917	185 917	185 917

2018

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	6	75 915	75 915	75 915
Cash and cash equivalents	7	19 550	19 550	19 550
		95 465	95 465	95 465

Categories of financial liabilities

2019

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	12	123 532	123 532	123 532
Loans from Shareholders		1 369 953	1 369 953	1 369 953
Long-term payment arrangement		32 014	32 014	32 014
		1 525 499	1 525 499	1 525 499

2018

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	12	85 940	85 940	85 940
Loans from Shareholders		1 274 375	1 274 375	1 274 375
Long-term payment arrangement		31 845	31 845	31 845
		1 392 160	1 392 160	1 392 160

31. Financial instruments and risk management (continued)

31.2 Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2019

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	22	4 400	4 400

2018

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	22	3 633	3 633

Gains and losses on financial liabilities

2019

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	23	(201 862)	(201 862)

2018

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	23	(94 116)	(94 116)

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

31. Financial instruments and risk management (continued)

31.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of debt, which includes the payment arrangements disclosed in note 10, Long-term payment arrangements and equity as disclosed in the statement of financial position.

There have been no changes to what the entity manages as capital or the strategy for capital maintenance from the previous year.

Loans from Shareholders	8	1 369 953	1 274 375
Trade and other payables	12	123 532	85 940
Total borrowings		1 493 485	1 360 315
Cash and cash equivalents	7	(95 140)	(19 550)
Net borrowings		**1 398 345**	**1 340 765**
Equity		(1 207 727)	(1 192 992)
Gearing ratio		(116)%	(112)%

31.4 Financial risk management

Overview

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk interest rate risk and price risk).

31.4.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Refer to note 6 for more information on credit risk management and policy.

The maximum exposure to credit risk is presented in the table below:

	Note(s)	Gross carrying amount	2019 Credit loss allowance	Amortised cost / fair value	Gross carrying amount	2018 Credit loss allowance	Amortised cost / fair value
Trade and other receivables	6	96 128	(5 351)	90 777	76 547	(1 731)	74 816
Cash and cash equivalents	7	95 140	-	95 140	19 550	-	19 550
		191 268	**(5 351)**	**185 917**	**96 097**	**(1 731)**	**94 366**

31. Financial instruments and risk management (continued)

31.4.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company maintains flexibility in funding by maintaining availability under committed credit lines.

The Company's risk to liquidity is a result of the funds available to cover future commitments. The Company manages liquidity risk through an ongoing review of future commitments and credit facilities.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2019

	Note(s)	Less than 1 year	Over 5 years	Total	Carrying amount
Non-current liabilities					
Loans from Shareholders	8	-	1 829 530	1 829 530	1 829 530
Current liabilities					
Trade and other payables		123 532	-	123 532	123 532
		123 532	1 829 530	1 953 062	1 953 062

2018

	Note(s)	Less than 1 year	Over 5 years	Total	Carrying amount
Non-current liabilities					
Loans from Shareholders	8	-	1 829 530	1 829 530	1 829 530
Current liabilities					
Trade and other payables		84 975	-	84 975	84 975
		84 975	1 829 530	1 953 062	1 359 350

31.4.3 Foreign currency risk

The Company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currency in which the Company deals primarily is US Dollars.

The Company has investments denominated in foreign currency, whose net assets are exposed to foreign currency translation risk.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

31. Financial instruments and risk management (continued)

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

US Dollar exposure:	Note(s)	2019 R'000	2018 R'000
Current assets			
Cash and cash equivalents	7	19	30
Current liabilities			
Trade and other payables	12	33	-
Net US Dollar exposure		**52**	**30**

Exchange rates

	2019	2018
Rand per unit of foreign currency		
US Dollar	**14.595**	**11.760**

Foreign currency sensitivity analysis

The following information presents the sensitivity of the Company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Increase or decrease in rate	2019 Increase	2019 Decrease	2018 Increase	2018 Decrease
Impact on profit or loss				
US Dollar 8% (2018: 8 %)	22	(22)	28	(28)
	22	(22)	28	(28)
Impact on equity				
US Dollar 8% (2018: 8 %)	22	(22)	28	(28)
	22	(22)	28	(28)

32. Capital commitments

Capital commitments approved and contracted	152 496	188 848
Budgeted but not contracted	293 577	41 025

Capital commitments comprise commitments for property, plant and equipment and intangible assets.
Management expects these commitments to be financed by internally generated cash and borrowings.

33. Events after the reporting period

The Department of Telecommunications and Postal Services has approved and is undertaking relevant processes to convert the R 1,3 billion loan issued to Broadband Infraco into equity. This conversion will improve the liquidity of the Company, which will improve the going concern assumptions.

34. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

The Company has adopted IFRS 9 Financial instruments for the financial year starting on 1 April 2018. The Company has applied IFRS 9 in accordance with the transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings.
The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 01 April 2018. Accordingly the Company has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 01 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 01 April 2018. Comparatives in relation to instruments that have not been derecognised as at 1 April 2018 have not been restated.

Classification of financial assets

- IFRS 9 requires the classification of financial assets to be determined by a contractual cash flows test referred to as “Solely payment of principal and interest” (SPPI) and a business model test. Financial assets that fail the SPPI test will be measured at fair value through the income statement.
- For assets passing the SPPI test a business model test assesses the objective of holding the asset. The business model test for financial assets can be summarised as follows:
- Financial assets are measured at amortised cost if they are held within a business model where the objective is to hold financial assets in order to collect contractual cash flows (“Hold to collect” business model).
- Financial assets are measured at fair value through other comprehensive income if they are held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets (“Hold to collect and sell” business model).
- The Company also has the option to irrevocably designate a financial asset as measured at fair value through the income statement if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch).
- The Company also has the option to irrevocably designate investments in equity instruments as measured at fair value through other comprehensive income if the investments are neither held not for trading nor contingent consideration.
- The directors reviewed and assessed the Company’s existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company’s financial assets as regards to their classification and measurement:

ANNUAL FINANCIAL STATEMENTS
Notes to the Annual Financial Statements (continued)

34. Changes in accounting policy (continued)

Trade and other receivables

Previously classified as loans and receivables and subsequently measured at amortised cost. These instruments are continued to be measured at amortised cost as they are within the "Hold to collect" business model and contractual cash flow characteristics meet the SPPI test requirement.

Cash and cash equivalents

Previously classified as loans and receivables and subsequently measured at amortised cost. These instruments are continued to be measured at amortised cost as they are within the "Hold to collect" business model and contractual cash flow characteristics meet the SPPI test requirement.

Classification of financial liabilities

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

Impairment of financial assets

IFRS 9 introduces a new impairment model that requires the recognition of expected credit losses on all financial assets at amortised cost or at fair value through other comprehensive income (other than equity instruments) lease receivables and certain loan commitments and financial guarantee contracts. The expected credit loss must also consider forward looking information to recognise impairment allowances earlier in the lifecycle of a product. IFRS 9 consequently is likely to increase the volatility of impairment allowances as the economic outlook changes although cash flows and cash losses are expected to remain unchanged.

IFRS 9 introduces a three-stage approach to impairment as follows:

- Stage 1 - the recognition of 12 month expected credit losses (ECL) that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date if credit risk has not increased significantly since initial recognition;
- Stage 2 - lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and
- Stage 3 - lifetime expected credit losses for financial instruments which are credit impaired.

IFRS 9 also includes a simplified approach for short-term trade receivables with no significant financing component. This method uses a provision matrix to estimate the lifetime expected credit losses without having to monitor the changes in credit risk. The simplified approach has been applied to the trade receivables.

In contrast the IAS 39 impairment allowance assessment was based on an incurred loss model and measured on assets where there was objective evidence that loss had been incurred using information as at the reporting date

Financial impact of initial application of IFRS 9

The Company has adopted IFRS 9 Financial instruments for the financial year starting on 1 April 2018. The Company has applied IFRS 9 in accordance with the transitional provisions set out in the Standards. There has been no changes to the classification and measurement of the financial instruments due to the adoption.

Application of IFRS 15 Revenue from contracts with customers

The Company has adopted IFRS 15 Revenue from contracts with customers for the financial year starting on 1 April 2018. The Company has applied IFRS 15 in accordance with the transitional provisions set out in the Standards and therefore did not restate prior periods.

34. Changes in accounting policy (continued)

The date of initial application (i.e. the date on which the Company has assessed its existing contracts in terms of the requirements of IFRS 9) is 01 April 2018. Accordingly the Company has applied the requirements of IFRS 15 to contracts not completed as at 01 April 2018 and has not applied the requirements to contracts that have already been completed as at 01 April 2018. Comparatives in relation to contracts that have not been de-recognised as at 1 April 2018 have not been restated. Instead cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 April 2018.

In the current year the Company has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs.

IFRS 15 replaces IAS 11 Construction Contracts IAS 18 Revenue IFRIC 13 Customer Loyalty Programmes IFRIC 15 Agreements for the Construction of Real Estate IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

IFRS 15 introduces a five-step approach to revenue recognition. Refer to the revenue from contracts with customers accounting policy for additional details.

The Company has applied IFRS 15 by using the practical expedients for completed contracts as set out in IFRS 15.C5 (a) and (b) for any modified contracts in IFRS 15.C5(c) and using the expedient in IFRS 15.C5 (d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application.

Applying the practical expedient in paragraph 94 of IFRS 15 the Company recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Company otherwise would have recognised is one year or less.

Applying the practical expedient in paragraph 63 an Company need not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects at contract inception that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

No changes from how revenue were previously recognised occurred. Below is an explanation of each revenue source:

Sale of broadband services

Sale of services on the national and international back-haul network facilities based on the usage for the month and co-location services and billed at the beginning of each month.

Operations and maintenance

Operations and maintenance services done on behalf of customers and billed in respect of irrefutable right of use contracts.

Table 22 ACRONYMS

3G	3rd Generation Mobile Telecommunications
APP	Annual Performance Plan
ARC	Audit and Risk Committee
BA	Business Administration
B-BBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
BGE	Build, Grow and Expand
BPM	Business Process Management
BSC	Bachelor of Science
Capex	Capital expenditure
CAPS	Curriculum and Assessment Policy Statement
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPC	Companies Intellectual Properties Commission
CMSO	Chief Marketing Sales Officer
COSO	Committee of Sponsoring Organisations
CRA	Compliance Risk and Audit
CSI	Corporate Social Investment
CTO	Chief Technical Officer
DPE	Department of Public Enterprise
DPME	Department of Performance Monitoring and Evaluation
DCDT	Department of Telecommunications and Postal Services
DWDM	Dense Wavelength Division Multiplexing
EBITDA	Earnings Before Interest, Taxation, Depreciation, and Amortisation
ERM	Enterprise Risk Management
ESS	Employee Self Service
EXCO	Executive Management Committee
FMPPI	Framework for Managing Programme Performance Information
FTTX	Fibre to the Home/Business
FvToCI	Fair Value through Other Comprehensive Income
FY	Financial year

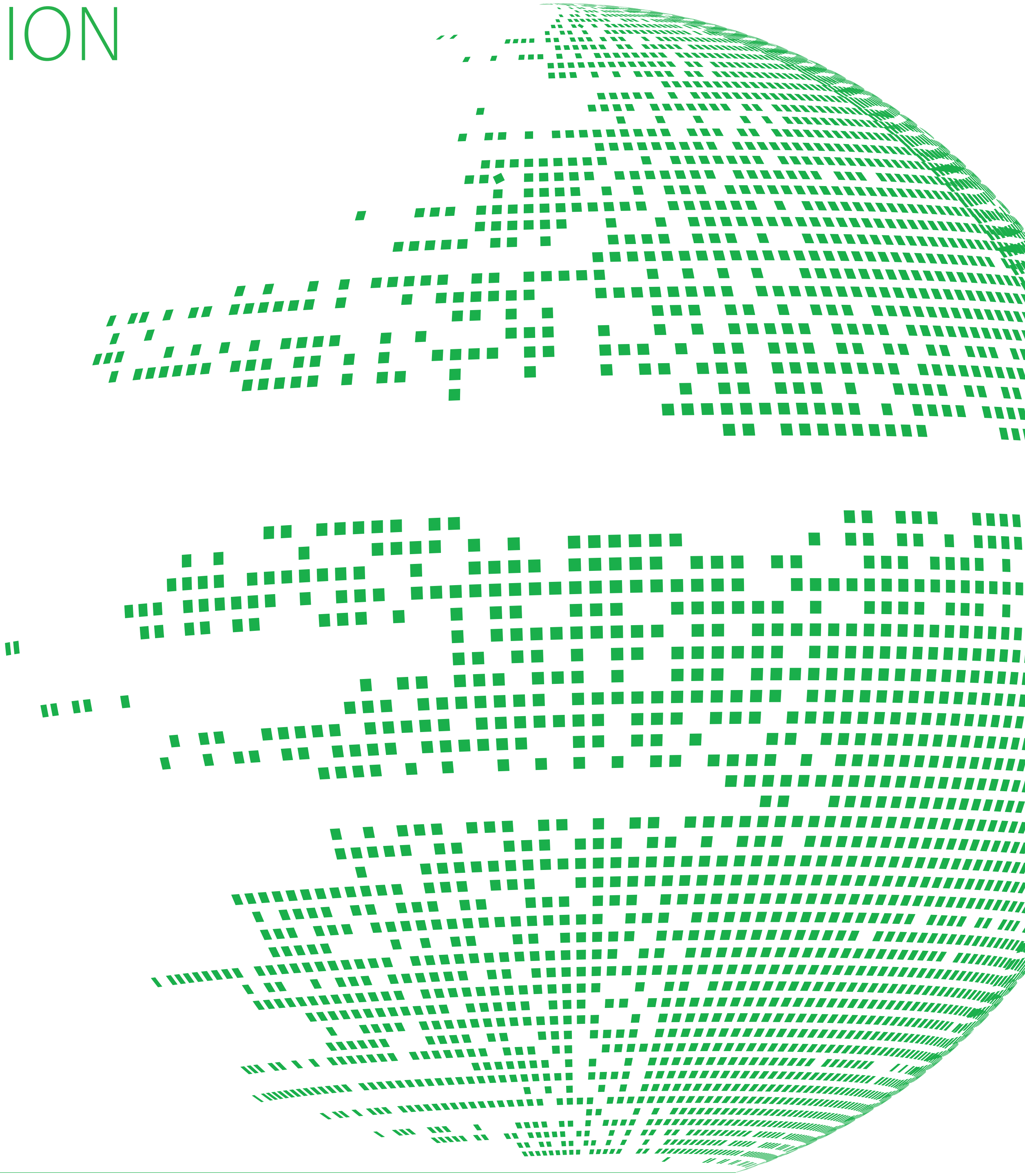
4IR	Fourth Industrial Revolution
G	Gigabyte
Gbit/s	Gigabits per second
Gbps	Gigabits per second
HR	Human Resource
HRM	Human Resource Management
HRRC	Human Resources and Remuneration Committee
IA	Internal Audit
IAS	International Accounting Standards
ICASA	Independent Communications Authority of South Africa
ICC	International Convention Centre
ICT	Information Communication Technology
IDC	Industrial Development Corporation
I-ECNS	Individual Electronic Communications Network Services
I-ECS	Individual Electronic Communications Services
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
IFTPC	Investment Finance Tender and Procurement Committee
IIRC	International Integrated Reporting Council
IoD	Institute of Directors
IP	Internet Protocol
IR	Integrated Reporting
IRBA	Independent Regulatory Board of Auditors
IRU	Irrefutable Rights of Use
ISA	International Auditing Standards
ISO	International Standards Organisation
IT	Information Technology
KAM	Key Account Manager
LTE	Long Term Evolution
LTIFR	Lost-Time Injury Frequency Rate
Mbps	Megabits per second

MICT SETA	Media, Information and Communication Technologies Sector Education and Training Authority
MoI	Memorandum of Incorporation
MoU	Memorandum of Understanding
MPLS	Multi-Protocol Label Switching
MSA	Master Service Agreement
MTTR	Mean Time To Restore
NCOP	National Council of Provinces
NDP	National Development Plan
NEDS	Non-executive Directors
NOC	National Operating Centre
NOSA	National Occupation Safety Association
OD	Organisational Development
OH&S	Occupational Health and Safety
OHSAS	Occupational Health and Safety Assessment Series
Opex	Operational expenditure
OPGW	Optical Fibre Composite Overhead Ground Wire
OSI	Open Systems Interconnection
PAA	Public Audit Act
PAYE	Pay as You Earn
PDI	Previously Disadvantaged Individuals
PFMA	Public Finance Management Act
PoP	Point of Presence
PPP	Public-Private-Partnerships
PPPFA	Preferential Procurement Policy Framework Act
PRM	Preventative Routine Maintenance
PWDs	People with Disabilities
RAID	Redundant Array of Independent Disks

SA	South Africa
SABS	South African Bureau of Standards
SADC	Southern African Development Community
SATA	Southern African Telecommunications Association
SCM	Supply Chain Management
SCOPA	Standing Committee of Public Accounts
SDH	Synchronous Digital Hierarchy
SEC	Social and Ethics Committee
SHEQ	Safety Health Environment and Quality
SITA	State Information Technology Agency
SLA	Service Level Agreement
SMME	Small Medium and Micro Enterprise
SNG	Sizwe NtsalubaGobodo
SNO	Second National Operator
SOC	State Owned Company
SOE	State Owned Enterprise
SONA	State of the Nation Address
Tbps	Terabits per second
UCT	University of Cape Town
UJ	University of Johannesburg
UKZN	University of KwaZulu-Natal
UP	University of Pretoria
USD	United State Dollars
VAT	Value Added Tax
WACS	West Africa Cable System
WIP	Work in Progress
ZAR	South African Rand

Notes

GENERAL Company INFORMATION



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